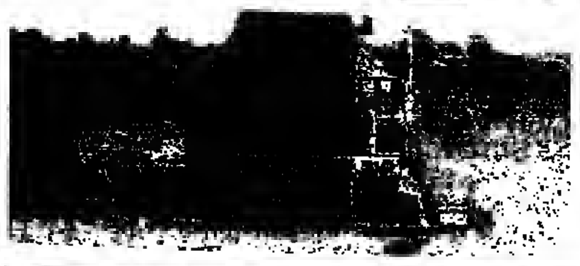
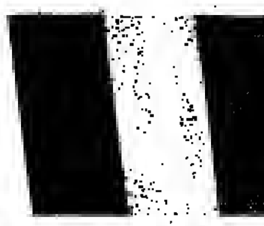
FINANCIAL TIMES



Grain prices
Brussels grabs the initiative
Page 13

South Africa
Railways break with tradition
Management, Page 8



France in 1996
No quick-fix answer to economic woes
Page 10

World Business Newspaper FRIDAY JANUARY 5 1996

UK plans to expel dissident to save Saudi relations

The decisioo to order leading Saudi dissideot Mohammed al Massaari to leave Britain was prompted by diplomatic coocerns over maintaining close relations with one of its main allies in the Gulf, UK ministers admitted. Mr al Massaari, head of the London-based Committee for the Defence of Legitimate Rights in Saudi Arabia, plans to appeal against the order within the 10-day limit. Page 4: Editorial Comment, Page 11

Italian steel sell-off: Italy eoded nearly 60 years of control over tbe country's steel industry with the sale of a majority stake in steel tubes producer Dalmine for L301.5bo ($190m). Page 13

Poor sales hit US retailers: Dismal sales figures for the period between Thanksgiving and Christmas confirmed that US retailers suffered one of their worst peak selling seasons in recent memory in the quarter eoding this montb. Page 14

Warning on Chrysler battle: Chrysler chairman Bob Eaton said the battle for boardroom influence at the third biggest car company in the US is set to cootinue indefinitely and damage the company. Page 13

Egyptian cabinet sworn in:

Egypt's new government was sworn at a ceremony led by President Hosni Mubarak. New appointments made by prime minister Kamal el Ganzouri include a former investment banker Nawal el Tatawi (left) as minister of economy and international co-operation, and Mobeidine el Gharib, formerly director of the mucb criticised General Investment Authority, as minister of finance. Page 4

Leftwing stand threatens Dini: A tough stand by rightwing parties led by former premier Silvio Berlusconi are threatening the prospect of Lamberto Dini being confirmed as Italy's prime minister. Page 2

British 'not ready' for single currency: The leader of Britain's opposition Labour party Tony Blair told Japanese business leaders in Tokyo that the Britisb people are not yet ready to accept a single European currency. Page 5

Polish spy crisis deepens: The political crisis sparked off by allegations that Polish prime minister Jozef Oleksy kept close links witb Soviet secret agents intensified after the head of counter-intelligeoce Konstanty Miodowicz resigned. Page 2

Boeing claims market dominance: Seattle-based group Boeing said it captured almost 70 per ceot of tbe world market for commercial jet airliners last year, leaving Europe's Airbus consortium trailing with 15 per cent. Page 14

Party to debate Greek PM's future: Greece's governing Panhellenic Socialist Movement will meet to solve problems caused by prime minister Andreas Papandreou's prolonged illness. Page 2

US boosts world drugs sales: World drugs sales grew at tbeir fastest rate last year since the early 1990s, led by the US – the world's biggest market – where sales rose 10 per cent to $44.7bn. Page 4

Support for Lithuanian PM: Lithuania's ruling Labour party defended prime minister Adolfas Slezevicius over criticism of his handling of the country's banking crisis. Page 2

French give N-tests completion date: France will complete its nuclear weapons tests in the South Pacific by the end of next month, Freocb president Jacques Chirac said.

Hottest year on record: Last year was the warmest on earth since global records began in 1860, British experts revealed. The average surface temperature in 1995 was 0.4°C above the 1961-1990 average.

Cricket: South Africa won the fifth and final test against England in Cape Town by 10 wickets to take the series 1-0 after the first four tests were drawn. England were all out for 157 in their second innings, leaving South Africa to score the 67 runs required for victory without loss.

A to Z The new year has brought significant changes in the classification of UK companies by industrial sector in the FT-SE Actuaries share indices. To help guide readers through the current classifications, tomorrow's FT will include an alphabetical listing of all companies in the London Share Service, showing the industrial sector to which each belongs.

STOCK MARKET INDICES

New York lunchtime:		
Dow Jones Ind Av	5,189.74	(-4.33)
NASDAQ Composite	1,023.68	(-22.58)
Europe and Far East		
CAC40	1,931.21	(-11.75)
DAX	2,324.32	(-4.90)
FT-SE 100	3,714.1	(-1.5)
Nikkei	20,618.00	(+749.85)

US LUNCHTIME RATES

Federal Funds	5¼%
3-mth Treas Bills: Yld	5.169%
Long Bond	112⅞
Yield	5.941%

OTHER RATES

UK: 3-mo Interbank	6½%	(Same)
UK: 10 yr Gilt	107⅜	(106⅞)
France: 10 yr OAT	108.14	(108.05)
Germany: 10 yr Bund	103.92	(103.64)
Japan: 10 yr JGB	110.724	(111.803)

NORTH SEA OIL (Argus)

Brent 15-day (Feb)	$18.60	(18.58)

GOLD

New York: Comex		
(Feb)	$395.4	(396.2)
London:		
close	$393.6	(393.75)

DOLLAR

New York: lunchtime		
£	1.5445	
DM	1.45585	
FFr	4.9705	
SFr	1.173	
Y	106.525	
London:		
£	1.5491	(1.5511)
DM	1.4565	(1.4403)
FFr	4.9739	(4.916)
SFr	1.1766	(1.1607)
Y	106.1	(104.365)

STERLING

DM	2.2562	(2.234)
Tokyo close:	Y 105.25	

Austria	Sch37	Greece	Dr400	Malta	Lm0.65	Qatar	QR13.00		
Bahrain	Din1.250	Hong Kong	HK$20	Morocco	MDh16	S.Arabia	SR12		
Belgium	BFr75	Hungary	Ft230	Neth	Fl 4.75	Singapore	S$4.30		
Bulgaria	Lev120.00	Iceland	IKr230	Nigeria	Naira30	Slovak Rp	Sk65		
Cyprus	C£1.20	India	Rs75	Norway	NKr20.00	S. Africa	R12.00		
Czech Rp	Kc60	Israel	Shk7.90	Oman	OR1.50	Spain	Pta250		
Denmark	DKr18	Italy	L3200	Pakistan	Rs40	Sweden	SKr20		
Egypt	E£5.00	Japan	Y500	Philippines	Pso50	Switz	SFr3.70		
Estonia	EKr 22	Jordan	JD1.50	Poland	Z5.50	Syria	S£85.00		
Finland	FM15.50	Kuwait	Fils.650	Portugal (mainland)		Tunisia	Din1.750		
France	FFr11.50	Lebanon	US$1.50		Es240	Turkey	L70,000		
Germany	DM4.00	Lux	LFr75			UAE	Dh12.00		

Tokyo joins surge in world stock markets

By Philip Coggan and Philip Gawith in London

The Japanese stock market yesterday joined in the euphoria that has swept the world's bourses at the start of 1996, with the Nikkei 225 rising nearly 3.8 per cent in Tokyo's first trading session of the year.

Shares in Tokyo were given a lift by the sharp rises in other international markets and by the prospects for Japanese exporters in the face of the yen's weakness against the dollar. The US currency rose to its highest level against the yen in 22 months, closing in London at Y106.1, from Y104.365.

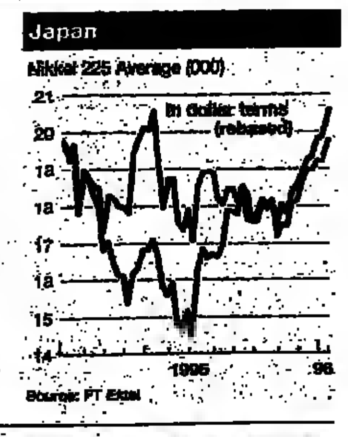
The dollar was also stronger against the D-Mark, finishing at DM1.4565, from DM1.4403, after a flurry of comments out of Washington encouraged the view that a deal on the protracted budget impasse between the White House and Congress might be in sight.

However, that view changed in the early afternoon when House Republicans threatened to impeach Mr Robert Rubin, the US Treasury secretary, over his efforts to avoid breaching the US government's $4,900bn debt ceiling. The move sent a shiver through the government bond market, with the price of the long bond dropping more than a point, pushing the yield back above 6 per cent on raised concerns over a possible government default.

The fall in the bond market also put pressure on the dollar, which fell to Y105.34 and DM1.4454, and on the stock market. The Dow Jones Industrial Average, which had risen 30 points in morning trade, dropped 50 points from its opening level, triggering the "uptick" rule which restricts computer driven trading, allowing the Dow to rally slightly.

Although most analysts are optimistic about the dollar's prospects this year, the rally so far is considered to be more a case of yen weakness than indepen-

Continued on Page 12
Lex, Page 12
Currencies, Page 19
World stocks, Page 28



Source: FT Extel

Chief of UK Stock Exchange dismissed

Board says top officer had lost confidence of members

By John Gapper and Norma Cohen in London

The London Stock Exchange faced a fresb crisis yesterday when its board abruptly dismissed Mr Michael Lawrence, the chief executive, claiming he had lost tbe confidence of the exchange's 350 members.

Mr Lawrence has been chief executive for two years, and was in the middle of trying to implement reforms to the system of trading sbares in London. The reforms could weaken the influence of some of the exchange's most powerful members.

The dismissal of 52-year-old Mr Lawrence comes less than three years after Mr Peter Rawlins, his predecessor, resigned over the failure of Taurus, a proposed new settlement system that was scrapped because of prolonged technical flaws.

Mr John Kemp-Welch, the exchange's chairman, said Mr Lawrence's dismissal, which was decided at a board meeting yesterday morning, was unconnected with his backing for a reform of trading on the exchange this year.

"Michael had failed to win the confidence of member firms both large and small, and his relationahip with the board for some months had been unsatisfactory," said Mr Kemp-Welch, who will take over temporary management responsibility.

Mr Kemp-Welch indicated Mr Lawrence had failed to gain the respect of members, saying his successor would have to have "great strength of character, a winning way with people, and a tremendous sense of humour".

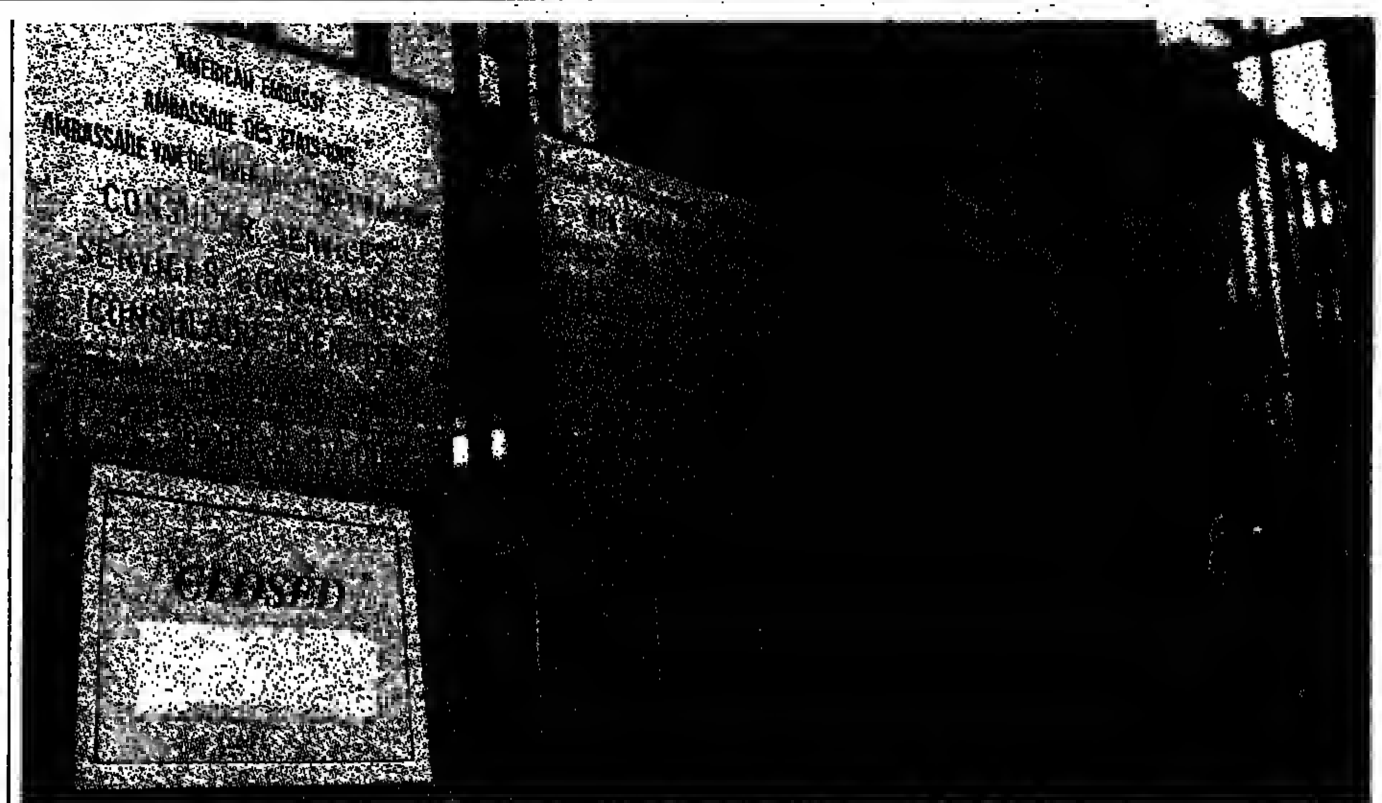
However, Mr Lawrence said last night the question of personality was unimportant and what mattered was that the reforms were implemented. "The important issue is not me, and it is not them. It is change," he said.

Mr Lawrence, who was on a one-year contract and was last year paid £342,028 including a £100,000 bouus, said there was a good management team in place and "the vital thing is that the momentum is not slowed by my departure".

Mr Lawrence is thought to have been told about the action for the first time at 10am yesterday when ha was called to a meeting with Mr Kemp-Welch. He attended part of the board meeting, leaving for home before the announcement.

Some firms have criticised Mr Lawrence privately for taking decisions without consultation. They were also unhappy that he soed Mr David Jones, chief executive of Sharelink, an exchange member, for libel in a dispute last September. Mr Lawrence's most controversial recent act was to

Continued on Page 12
Tamer required, Page 11
Editorial Comment, Page 11
Lex, Page 12



Closed for business: A security man guards the US consulate in Brussels as the US government shutdown bites due to the budget crisis. Yesterday's talks at the White House were cancelled at the Republican leaders' request. Dole accused on budget impasse, Page 12 Picture: Reuter

Bosnian Serbs free 16 to end crisis

By Laura Silber in Belgrade

The Bosnian Serbs, in a move that defused the first crisis faced by Nato-led forces in Bosnia, bowed to western pressure yesterday and released 16 people they had detained across the former frontlines. Their release came just hours after the US urged Serbian president Slobodan Milosevic to intervene.

In a separate sign of US confidence that its efforts to enforce peace in Bosnia are succeeding, the White House announced President Bill Clinton would visit troops in Bosnia in the next two weeks. The morale-boosting visit will take place before his State of the Union speech on January 23.

Yesterday's message from Washington to Belgrada was a sharp reminder to Mr Milosevic – once seen as the instigator of the war but now a guarantor of the Dayton peace agreement – that the US holds him responsible for the deal's implementation.

Twelve men and one woman were released yesterday from the Kula prison after having crossed into Ilidza, one of the Serb-held suburbs of Sarajevo dua to be transferred to the aothority of the Moslem-led government. Earlier, three other men were released from Serb custody, complaining they had been beaten.

Mr Nedeljko Prstojevic, mayor of Ilidza, described the release of the captives – who the Serbs had threatened to prosecute – as a "goodwill gesture".

The detentions had posed a problem for the Nato peace implementation force (Ifor), whose planned deployment of 60,000 troops had been proceeding smoothly since it began a fortnight ago.

It set off a row between the Bosnian government, which insisted that Ifor was responsible for making safe the newly-opened roads, and senior Nato officials who dismissed the detentions as a civilian problem of law and order. Freedom of movement for all three sides is a basic tenet of the ambitious peace plan.

In another challenge to this principle, Croat authorities in the sonth-western town of Mostar imposed a tax of $10 on each truck delivering relief to central Bosnia.

The United Nations High Commissioner for Refugees announced yesterday it was suspending its overland convoys to tha region, which normally amount to between 30 and 40 lorries a day, until the Croats abandoned the tax.

The decision comes amid continuing tension between Croats and Moslems. Moslems in Mostar yesterday were reported to have stoned and shot at cars with Croatian number plates after a youth was shot dead on New Year's eve.

German food group takes stake in television network

By Judy Dempsey in Berlin

Rewe, Germany's largest food retailing group, yesterday acquired a 40 per ceot stake in Pro-7, the country's fastest growing commercial television network, in a move aimed at diversifying into the expanding media sector.

Its unprecedented decisioo could signal the beginning of a shift among German retailers to veoture into other sectors. Efforts to expand market share through new outlets are proving less lucrative with the continued squeeze oo consumer spending.

Rewe, one of the most aggressive discount retailing groups, founded 70 years ago, would not disclose how mucb it paid for 40 per cent of Pro-7's 15m shares. But Pro-7 said it was "a minimum of DM60m ($41m)".

The television oetwork, set up in 1989 by Mr Thomas Kirch, son of Mr Leo Kircb, tbe Municb-based media mogul, and Mr Thomas Köpfler, Pro-7 chairman, was converted into a public company last year with shares due to be traded later this year. The nominal share value was DM75m.

Over a quarter of the shares were allocated to Mr Thomas Kirch. The remaining 75 per cent were held by a consortium of banks headed by BHF-Bank and Bayerischen Hypotheken-und-Wechselbank, which yesterday sold a 40 per cent stake to Rewe.

Mr Köpfler said Pro-7 had been seeking institutional investors for several months. "With Rewe, we have found the partner we were looking for," he said, adding that the possibility for new areas of business, linking mass communication and mass sales, had been opened.

Rewe had a turnnver of DM41.6bo in 1994 and is expecting a 3 per cent rise in sales for last year. The group employs 161,000 people in 8,700 ontlets.

Rewe's initial role will be that of an investor. "Rewe has the cash flow and high sales. It has been looking at ways to make use of its cash flow," one analyst said. Its entry into the media sector coincides with Pro-7's success at capturing the market lead among young German television viewers, ahead of its rivals, RTL and SAT-1.

"Pro-7 is really on the move. It is aggressive and growing. This could well suit Rewe's needs," an analyst said. Pro-7 had pre-tax profits of DM106m in 1994 and expects those to rise to DM200m last year.

Pro-7 is spearheading attempts to establish a home teleshopping channel and change Germany's television laws, which allow networks to broadcast only one hour of teleshopping a day.

Last year, Pro-7 jointly set up HOT, home order television, with Quelle, Germany's largest mail-order group. It is currently being broadcast on certain frequencies in the state of Bavaria. If the law is ameoded to allow a teleshopping channel, Rewe and other retailers may use this medium to market their prodncts.

Lex, Page 12

CONTENTS

Confusion among parties as National Alliance insists PM should resign next week

Hard line by right wing hits Dini's hopes

By Robert Graham in Rome

The prospect of Mr Lamberto Dini being confirmed smoothly as Italy's prime minister has been thrown into doubt by an unexpectedly tough stand by rightwing parties.

The rightwing alliance headed by Mr Silvio Berlusconi, the former premier and leader of the Forza Italia movement, has begun to insist that Mr Dini must resign next week when parliament debates the future of his 11-month-old government. This view has been imposed by the National Alliance of Mr Gianfranco Fini, and accepted by Mr Berlusconi to ensure the alliance's unity.

However, Mr Berlusconi's position remains ambiguous, and the small centre parties formed from the old Christian Democrat parties are publicly against early general elections.

They would like to see a new government headed by Mr Dini but with a broader base and with a more "political" cabinet – unlike the present administration, composed of non-parliamentarians.

Nevertheless, if the alliance does not soften its stance by the time the debate begins on January 9, there is a risk of a confrontation which would in turn accelerate early general elections.

Reconstructed Communism, formed from the hardliners of the old Communist party, said yesterday it was willing join forces with the right to vote against the government.

As demonstrated by the two no-confidence votes moved against the government before Christmas, Mr Dini would be able to survive only if some deputies chose to be "tactically" absent.

Even among the centre-left alliance, dominated by the Party of the Democratic Left (PDS), not all the partners are happy about the strategy of sustaining Mr Dini to office until June, when Italy's six-month presidency of the European Union ends.

Mr Carlo Ripa de Meana, the Greens' leader, walked out early yesterday from a strategy meeting of the centre-left alliance. A spokesman later said if Mr Dini was allowed to remain premier until June, it would be even more difficult to remove him afterwards.

The parties still have plenty of time to change their minds and strike a compromise. Despite all the tough talk of bringing down the government, Mr Fini has yet to draft a no-confidence motion.

For such a motion to have full political weight, it would furthermore need to be backed by a united right-wing alliance. Until now such unity has been lacking and no leader within the alliance has wished to assume the responsibility of causing a government crisis.

The sole move to draft such a motion has come from Reconstructed Communism. But on their own they lack the 64 signatures necessary for a no-confidence motion to be tabled.

● Share prices slipped on the Milan stock exchange yesterday as the uncertain political situation ahead of next week's parliamentary debate led to hesitation among investors. This followed several days of gains in share prices.

The Comit index edged 2.71 lower to 598.33 in modest trading.

See World Stock Markets page

Polish row deepens as intelligence chief quits

By Anthony Robinson, East European Editor

The political crisis sparked off by allegations that Mr Jozef Oleksy, the Polish prime minister, had kept close links with Soviet secret agents intensified yesterday after the head of counter-intelligence, Mr Konstanty Miodowicz, resigned.

Mr Miodowicz, who has a background in the Solidarity movement and was appointed when Solidarity-based parties gained power after the 1989 elections, said his resignation reflected lack of confidence in the senior interior ministry officials appointed since Mr Alexander Kwasniewski, a former communist, became president on December 23.

Mr Miodowicz announced his resignation after being questioned yesterday by the special parliamentary commission set up to investigate the way in which the Polish secret services gathered evidence against Mr Oleksy.

The prime minister has denied that he acted as an informant for the Soviet and Russian secret services. But on Wednesday night he admitted on television that he had made a mistake in maintaining "too intimate a friendship" with Mr Victor Alganov, a Warsaw-based Soviet diplomat with intelligence links.

Polish press reports indicate that tha "evidence" gathered by the Polish security services was offered to them for sale by the Russians. But Mr Alganov called a press conference in Moscow earlier this week to defend his "friend" Mr Oleksy and said the evidence against him was "fabricated".

The allegations against Mr Oleksy surfaced only days before the presidential handover just before Christmas. They were revealed to parliament by Mr Andrzej Milczanowski, the outgoing interior minister. Mr Milczanowski was one of three ministers chosen by the outgoing president, Mr Lech Walesa, who resigned with him on December 22.

The military prosecutors office ruled that the evidence presented in parliament was not sufficient to start formal proceedings and called for more evidence. This is currently being collected for presentation by the end of the month but the resignation of the chief of counter-intelligence is likely to cast fresh doubt on the process.

The pnblic has reacted calmly to the political storm. But revelations that the new president lied about his educational qualifications, charges that the prime minister was an informer for the Russians and news that Mr Walesa did not pay tax on a $1m payment from Warner Brothers for a film of his life which was never made, have done little to raise the low esteem in which Poles hold their politicians.

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Party rallies around Lithuanian PM

But leaders agree Slezevicius made 'moral and political mistake' in banking crisis

By John Thornhill in Moscow and Matthew Kaminski

Lithuania's ruling Labour party yesterday rallied round Mr Adolfas Slezevicius, the prime minister and party leader, to defend him from criticism of his handling of the country's banking crisis.

But party leaders accepted Mr Slezevicius had made a "moral and political mistake" in withdrawing the equivalent of $30,000 from his personal account at the Innovation Bank two days before its operations were temporarily suspended by the Bank of Lithuania.

The financial uncertainties in the Baltic state caused by the suspension of two of its biggest banks in late December have rapidly grown into a full-blown political row, as opposition leaders have condemned the prime minister's condnct and demanded that October's parliamentary elections be brought forward.

There has been widespread speculation in the Lithuanian media that the prime minister would have to step down as a result of the dispute.

This week, Mr Vytautas Landsbergis, the leader of the right-wing parliamentary opposition, called for Mr Slezevicius's resignation, claiming the banking failures were the "direct consequence of the current administration's corrupt, clannish loyalties".

The dispute was sparked when the Bank of Lithuania froze the operations of Innovation Bank and Litimpeks bank last month because of fears for their solvency. Mr Slezevicius accused the banks' managers of incompetence and four senior bank officials were subsequently arrested on suspicion of fraud.

Innovation Bank was ranked as the country's biggest financial institution and held 16 per cent of all bank deposits and 13 per cent of the industry's total assets.

The government faces a tricky task weighing the economic advantages of continuing its tight monetary squeeze against the electoral appeal of staging a banking bail-out. But, with the help of western advisers, it has already started work on restructuring proposals in an attempt to salvage depositors' money.

Some western economists have praised the Bank of Lithuania's decision to suspend the two banks and attempt to impose greater order on the country's banking industry. They suggest the current shake-out should strengthen Lithuania's financial system over the long term. "The worst thing to do with a banking crisis is to throw money at it. It has to be solved by policy means," said one official.

Slezevicius: under fire

Landsbergis: on attack

Almost every country which has experienced the transition from a command to a market economy has encountered problems with its first generation of banks.

1nexperianced and over-ambitious management, poor regulation, unfair competition, and the criminalisation of some financial structures have led to a wave of bank collapses throughout central and eastern Europe.

Greece awaits decision on Papandreou's future

By Kerin Hope in Athens

Even the Delphic Oracle would have had difficulty predicting whether Greece will get a new prime minister in the next few weeks or go on drifting in political uncertainty.

The governing Panhellenic Socialist Movement (Pasok) has decided to hold a central committee meeting on January 20 to solve the problems caused by prime minister Andreas Papandreou's prolonged illness.

By then the 76-year-old prime minister, who has irreversible kidney damage, according to his doctors, and is still using a respirator to breathe, may be ready to discuss resigning. Pasok deputies will visit him next week to urge him to quit.

That would open the way for Pasok's 169 parliamentary deputies to elect a new prime minister from among five contenders. The front-runners, defence minister Gerasimos Arsenis and former todustry minister Costas Simitis, have been campaigning hard.

Adding to the political pressure on Pasok, the opposition New Democracy party said it would table a censure motion against the government next week for failing to fill the post of prime minister.

Pasok's indecision over the succession has also caused concern among economic policy-makers and Greece's business community. Interest rates are rising and the Athens stock excbange bas been wavering as investors wait for a clear political signal.

> 'He avoided replacing culture minister Melina Mercouri after she was diagnosed with terminal cancer. She died in office. He will expect the same treatment'

One banker said: "Confidence was improving and private investment has been looking promising. Now everything is on hold while the politicians grope tbeir way towards a solution."

Given Mr Papandreon's appetite for power, senior Pasok members are still not certain he will agree to step down. They worry that under the influence of his wife Dimitra and advisers whose jobs would be under threat in a new administration, Mr Papandreou may decide to stay in office, allowing Mr Akis Tsochatzopoulos, the acting prime minister, to carry on day-to-day running of the government.

While Pasok's parliamentary group has been pressing for the prime minister to be replaced, party officials who owe their political careers to Mr Papandreon, Pasok's founder, are reluctant to force him out. One official said: "The prime minister avoided replacing culture minister Melina Mercouri after sbe was diagnosed with terminal cancer. She died in office. He will expect the same treatment".

Mr Tsochatzopoulos, public administration minister and a prominent member of Pasok's party machine, is among the prime minister's staunchest political allies but is not considered popular enough with Pasok deputies to have a real chance of succeeding him.

He is viewed with suspicion on Greece's financial markets, where interest rates on government securities have again risen above 14 per cent after a steady decline last year. Though he steered the 1996 budget through parliament and has waved through several contracts for large infrastructure projects, the acting prime minister showe little enthusiasm for endorsing structural reforms now being proposed by the government's economic team.

Pasok can no longer postpone reforms of over-staffed state corporations if Greece is to have a chance of meeting the Maastricht targets for taking part in European monetary union.

The Economy Ministry is keen to speed the pace of privatisation this year and introduce management reforms at public utilities.

Both are contentious issues for Mr Tsochatzopoulos, under constant pressure to make concessions on wages and public-sector hiring both from dissident cabinet members and Socialist unions, whose leaders are prominent in the Pasok central committee.

Because the acting prime minister is careful not to interfere with plans approved by Mr Papandreou before be fell sick, the much-postponed flotation of OTE, the telecoms munopuly, is finally taking shape and should go ahead as scheduled in March.

But much stronger backing will be needed to push through more public offerings of state corporations as well as tbe restructuring of state banks.

Papandreou: will want to stay

Mercouri: was not replaced

In search of post-communist work

Virginia Marsh visits a Hungarian jobs black spot, once a showcase of industry

The north-eastern Hungarian town of Ozd symbolises what every worker in eastern Europe fears. Once a showcase for communist industry, producing a third of the country's iron ore and steel, this bleak town of 45,000 today suffers more than 40 per cent unemployment.

At its peak the town's huge foundry, steel mill and mines employed 22,000, prodncing 1.5m tonnes of steel a year, much of it for export. Now the steel todustry, the mainstay of the region for decades, employs just 2,500 of whom some 900 spend their time clearing the sprawling 150,000 sq m site, demolishing the buildings they used to work in and breaking up old plant for scrap.

In 1990, part of the steel works was sold to a local entrepreneur, Mr Janos Petrenko, a Socialist MP in the last parliament. But it went bankrupt last year. A joint venture between the steel plant and two German companies collapsed after just one year in 1991. All that functions now is a fine-rolling mill which processes raw steel supplied by the Diosgyor steel works in nearby Miskolc.

The bulk of the remaining steel industry is now concentrated at Dunaferr in central Hungary which last month was granted a $25m long-term modernisation loan by Sontb Korea's Economic Development Fund during a visit to Korea by the prime minister, Mr Gyula Horn.

But Hungary's Socialist-led government last montb approved a Ft30bn ($220m) three-year restructuring and development package for Borsod county, and Ozd is busy drawing up projects to attract part of the funding, some of which is being provided by the European Union.

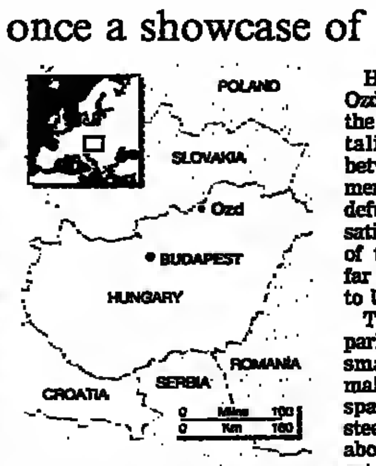
The town already has three big projects in mind. The success of any one of them would "help us break out of our crisis", said Mr Imre Kormos, managing director of the OKU steel company, now in liquidation. "We're grabbing at any possibility to find work for our people," he adds, standing in the entrance of the company's elegant headquarters whicb served as a casino in better times between the wars.

The first project involves the construction of a modern mini-mill with an electric furnace and casting unit. This would supply steel to the existing fine rolling mill, which was built in the mid-1970s and is in relatively good condition, says Mr Attila Karoly Soos, state secretary at the trade and industry ministry. While the state is no longer prepared to subsidise the steel industry, be says the government would snpport construction of the new mini-mill if private investors can be found.

Mr Kormos says such a mill would be the only one of its type within a 500km radius and would cost about Ft90bn. He says the government might put up Ft20bn if private investors can be found to snpply the remainder. He says American, Danish, German and Italian investurs have all expressed interest in the project, which would save 600 jobs at the rolling mill and create a further 100.

The second project – a plastic processing and components plant – is more controversial. It involves the planned shipment of up to 2m tonnes of plastic waste to Ozd from Germany for storage and processing at a new plant to be built just out of town. It would not be funded by the Hungarian government but the town wuuld receive DM450 ($310) from Germany for each tonne of waste. "Environmentalists see great obstacles but people here see thet it could bring in a lot of capital," says Mr Kormos.

The third project is Mr Kormos's own brainchild. He is trying to persuade the government to help fund the construction of an industrial park on the former main steel plant's 50-hectare site. Industrial parks have already been successfully created on derelict industrial or military sites in other Hungarian towns, notably Szekesfeherwar and Gyor in the more developed western part of Hungary and have attracted foreign greenfield investors, including Ford and other multinationals.



The government is already spending Ft1bn this year to fund demolition work at the steel plant and, at today's prices, according to a feasibility study commissioned by Mr Kormos and his associates, completing clearance of the site and building the park would cost up to Ft5.5bn over three to five years.

He believes that in this way Ozd, situated in the foothills of the Tatra mountains, can capitalise on growing trade between Hungary and its former partners in Comecon, the defunct Soviet-led trade organisation. Ozd is just 15km south of the Slovak border and not far from the main transit route to Ukraine.

The nucleus of an industrial park already exists. Some 90 small private companiez, mainly service industries, lease space from OKU in tha old steel works, employing in total about 1,000. "The big issue is to get a multinational investor, to lure other investors and to be the pride of our fleet," says Mr Kormos. "We need some medium-sized or large companies to provide the basis of the local economy and to stimulate the small service companies."

But much also depends on whether the cash-strapped central government goes ahead with plans to develup infrastructure in under-developed eastern Hungary. Local politicians and businessmen such as Mr Kormos are lobbying for tax breaks and other financial incentives to companies investing in Ozd, Miskolc and other areas particularly badly affected by the collapse of communist-era industries.

EUROPEAN NEWS DIGEST

Belarus sell-off plans approved

Belarus President Alexander Lukashenko has approved a privatisation plan for 1996, apparently heeding threats from western financiers to withhold credits unless the country allows private ownership.

The programme, published in Minsk newspapers yesterday, does not specify how many companies will be privatised this year. Fewer than 10 per cent of Belarus companies are in private hands. But a senior privatisation official said shares in at least 1,700 enterprises would go on sale this year. Ms Valentina Kholymskaya, head of privatisation at the State Property Ministry, said: "If everything works out, then by the end of the year about 20 per cent of enterprises will be privatised."

Half the shares of privatised companies will be exchanged for vouchers held by Belarus citizens. The rest, which will be available for purchase by foreigners, will be offered at stock exchange auctions or sold to winners of tenders for investment plans. Employees will be able to buy shares with a 20 per cent discount and executives will have the right to buy a 15 per cent stake in their companies. *Reuter, Minsk*

Shadow over new SNCF chief

Long-running investigations into past industrial investments by the Elf-Aquitaine oil group threaten to overshadow the arrival of Mr Loïk Le Floch-Prigent, a former Elf chairman, as the new president of the SNCF rail network.

Both the Cour des Comptes, the public audit body which vets the accounts of state companies, and an investigating magistrate, Mrs Eva Joly, are investigating investments made by Elf, before and just after it was privatised in 1993, in the Bidermann textile group. Le Monde newspaper yesterday reported on testimony arising from a separate US court case alleging that Mr Le Floch-Prigent, head of Elf in 1989-93, received favours in the form of air tickets and hotel room payments from Mr Maurice Bidermann. But Mrs Joly reacted by letting it be known that she regarded this testimony as unsubstantiated and that her recent on-the-spot investigations at Bidermann offices had uncovered little new.

In one of its concessions to last month's striking railwaymen, the government brought in Mr Le Floch-Prigent as new head of the SNCF. On his departure from the presidency of Gaz de France this week, Mr Le Floch-Prigent sent an open letter to GdF executives, complaining that the Cour des Comptes had ignored evidence in its preliminary report that Elf had pumped a total of FFr787m ($159m) into Bidermann and its subsidiaries. *David Buchan, Paris*

Paris newspaper set to close

Mr André Rousselet, majority owner of InfoMatin, is expected today to announce the closure of the lively but loss-making Parisian tabloid newspaper which has cost him some FFr145m ($29m) in slightly less than two years.

The decision which InfoMatin's board is expected to take to shut down the paper, or possibly to try to find a buyer, follows last week's rejection by staff of Mr Rousselet's request that they should forgo three of their eight weeks' annual paid leave to stem the paper's losses.

Mr Rousselet – who made his name with the Canal Plus television station and who now controls a big taxi company – claimed he would have carried on but for this rebuff. He recently achieved some saving by renegotiating InfoMatin's printing contract. But despite being specially tailored for "young urbanites in a hurry" and priced at FFr3.80 (76 cents), InfoMatin never sold more than 80,000 a day, well short of the 120,000-130,000 needed to break even. *David Buchan*

Deutsche Telekom under attack

Deutsche Telekom, the German telecoms group due to be partly privatised later this year, yesterday sought to fend off increasingly angry attacks from politicians and the public over the complex changes in tariffs which increase the cost of local phone calls by up to 156 per cent.

Mr Ron Sommer, chief executive, said the company would stick with the tariff changes – which were approved by leading politicians 18 months ago – and rejected claims that the company was "ripping off" consumers. As part of changes to prepare for liberalisation, Deutsche Telekom has lowered the cost of long-distance calls – where it will face the most competition – and raised the cost of local calls where new operators will find it more difficult to compete.

The company hopes to raise about DM15bn ($10.4bn) through the stock issue. It has a virtual monopoly until 1998 and Mr Edmund Stoiber, the Bavarian state premier, yesterday warned that the company could not afford to be seen to be using the time "to build up a hefty set of financial reserves at the expense of ordinary citizens". *Michael Lindemann, Bonn*

Slovak president's son charged

Mr Michal Kovac, son of Slovak President Michal Kovac, has been charged by Slovak police with setting up a fraudulent trade scheme, authorities in the Slovak capital Bratislava said yesterday.

Mr Kovac Junior, 31, has been in Austria since the end of August, after he was kidnapped near Bratislava. He was taken across the border and was dumped outside an Austrian police station in the boot of a car. The charges against him in Slovakia appear to open the way for him to be extradited from Austria, where he is on bail.

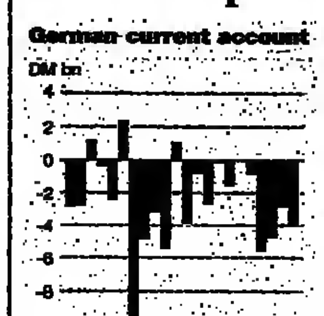
The kidnapping of the president's son has formed a bizarre episode in the long-running bitter political battle between President Kovac and Slovak prime minister Vladimir Meciar.

Mr Meciar has been seeking to oust the president, who has faced no-confidence votes from both the government and the parliament.

President Kovac has openly accused the Slovak intelligence service of orchestrating the kidnapping of his son, and Mr Kovac Junior said that the charges were a political manoeuvre against his father. *Reuter, Bratislava*

ECONOMIC WATCH

German exports grow by 10.5%



Source: FT Extel

Germany's exports for October increased significantly compared with the same period in 1994 despite the strength of the D-Mark against other currencies, the Federal Statistics Office reported yesterday. Exports for last October grew 10.5 per cent to DM65.6bn ($45.5bn) and imports increased 8.1 per cent to DM57.1bn compared with October of the previous year. The trade surplus rose DM2bn to DM8.5bn over the same period. The growth in exports coincides with the Bundesbank's latest monthly report showing how export expectations in recent months "improved distinctly ... after the nosedive in the spring caused by the [DM] appreciation shock and wage shock". At the same time, there are indications that the balance of payments deficit, which includes the trade balance, services, capital income and transfers, is being reduced following several years of a persistently high current account deficit.

Compared with October 1994, the current account deficit fell DM1.9bn to DM4.1bn, while for the first 10 months of last year, the balance of payments deficit fell DM6.2bn to DM21.8bn compared with 1994. *Judy Dempsey, Berlin*

■ Turkish consumer prices rose by 78.9 per cent in 1995 and were up by 3.5 per cent in December from November.

■ Denmark's November unemployment rate fell to 9.3 per cent of the workforce from 9.5 per cent a month earlier.

Indonesia to boost budget spending 16%

By Manuela Saragosa in Jakarta

Indonesia's public spending will expand 16.1 per cent in the fiscal year starting in April, according to yesterday'a budget, described by finance minister Ma'rie Muhammad as designed to cool the economy without losing growth momentum.

Projected spending growth is faster than the 11 per cent programmed for the current year and higher than private-sector economists had expected, given Indonesia's bigb current account deficit. But Jakarta is relying on buoyant tax revennes to balance the budget.

Indonesisn growth is estimated at over 7.1 per cent in calendar 1995 (7.5 per cent in 1994); inflation slipped to 8.64 per cent from 9.24 per cent in 1994, but remains high compared with some other south-east Asian countries; the current account deficit is a worry. "The challenge to Indonesia's economic stability today is an overheating of tha economy," President Suharto said.

The current account deficit is running at $7.9bn (£5bn) in 1995-96 (about 3.8 per cent of gross domestic product). The new budget predicts imports will grow 8 per cent and exports 12 per cent (non-oil and gas exports are expected to grow 16 per cent), leading to a deficit of $6.8bn, just over 3 per cent of GDP. The budget provides for spending of Rp90,600bn (£25.5bn). As usual, it is balanced to avoid borrowing on the domestic market.

On the spending side, infrastructure and rural development are priorities. Taxes will constitute the bulk of non-oil revenues which will make up some 70 per cent of all revenues. Oil continues to decline as a source of government income, accounting for only 6.4 per cent of revenues in the new budget against 80 per cent in the early 1980s.

Economists say imports are likely to grow faster than the government expects, leading to a wider current account deficit. With infrastructure spending a priority and foreign investment flows reaching a record in 1995, some expect import growth to be as high as 20 per cent this year.

President Suharto said be expected continned gains in tax revenues. Income tax rates were lowered at the start of last year and he noted tax earnings rose as a result, indicsting "the basis of tax earnings has become broader".

Revenues from value-added tax are projected to rise 30.8 per cent. Analysts said this could mean tax rises on luxury goods are in the pipeline. Government spending on wages is budgeted to rise 19.1 per cent in fiscal 1996-97. The issue would be discussed in parliament when the draft budget is deliberated, the president said.

A significant, but declining, portion of expenditure (some 22 per cent), will be allocated to service Indonesia's foreign debt of about $100bn. Foreign aid is targeted at Rp12,400bn, over 13 per cent of all revenues. Repayment of foreign debt would be speeded, if there was a budget surplus.

China launches interbank money market

By Peter Montagnon, Asia Editor

China this week launched its long-awaited interbank money market designed to smooth the allocation of liquidity to the banking system and pave the way for market-oriented determination of interest rates.

Under the new system, which is being operated on a three-month trial basis by the Foreign Exchange Trading Centre in Shangbai, local banks are able to place and accept deposits of up to 120 days. Foreign banks banned from doing business in yuan are not eligible to participate.

The launch of the market has long been urged by the western agencies such as the International Monetary Fund which see the need for a proper money market as essential if China is to develop sophisticated instruments for monetary policy control.

Traditionally bank credit has been rationed rather than controlled by price. Local banks, even when they are branches of big institutions, have tended to hoard any surplus cash for their own use rather than pass it on to other parts of the country, where credit is short.

But as part of their financial reforms, the anthorities have been encouraging big banking groups to manage their liquidity centrally. Once teething problems related to computerisation have been sorted out, the interbank market will make this easier as well.

It will also facilitate flows of credit at uniform interest rates around the country. This should belp ease bottlenecks and reduce the borrowing costs of companies starved of working capital.

The new market marks a step towards regulating a fragmented and chaotic system, Mr Zhn Xiaohua, vice governor of the People's Bank of China, told the China Business Times. Under the scheme, the bank will publisb a daily interbank offered rate based on prices set in the trading centre. A compnter network will eventually link the centre with commercial banks and short-term credit offices across the country.

Japan and S Korea in chips venture

By Michiyo Nakamoto in Tokyo

Hitachi, the Japanese electronics company, and LG Semicon, a South Korean semiconductor maker, plan to invest Y130bn (£803m) in a joint venture to manufacture memory chips in Malaysia.

Hitachi's half share of the investment is the largest by a Japanese company in a semiconductor project in the region.

The new facility, which will produce the highest capacity memory chips available, highlights the growing importance of south-east Asia as a high-technology manufacturing base.

Hitachi, Japan's third largest semiconductor maker, is also in talks with Nippon Steel, which has a semiconductor manufacturing subsidiary, and the Singapore Economic Development Board, over the possibility of establishing a joint venture semiconductor plant in Singapore.

In Malaysia, Hitachi and LG Semicon plan to set up a joint venture company with capital of Y45bn. The plant, to be built in Kulim Hi-Tech Industrial Park in Kedah, will begin operations in early 1998 and is expected to create 1,000 jobs.

The factory will produce 16- and 64-megabit D-Rams with a monthly production capacity of 30,000 eight-inch wafers – sillicone slices imprinted with the memory-chip circuitry.

Demand for 16-megabit D-Rams is expected to peak in the next faw years while demand for 64-megabit D-Rams is likely to peak around 2003.

The facility will be the first manufacturing joint venture between a Japanese and South Korean semiconductor maker.

Japanese and South Korean companies have competed intensely for predominance in the memory market. However, the high costs of development and capital investment costs, strong demand for memories from the fast expanding information and communications industries and increasingly tight supplies have forced Japanese and South Korean companies to strengthen their co-operative ties.

Hitachi's Increased investment in semiconductor production follows a year in which most leading companies in the industry announced significant expansions of their production capacity.

Demand for memory chips is expected to continue growing strongly for several years on the strength of expanding information and communications markets, prompting concern that the industry will suffer a shortage rather than a glut of memories.

IMF urges privatisation route to the renewal of reform, writes Farhan Bokhari

Pakistan bank sale is key to confidence

Pakistan is due to name a new owner for United Bank, the country's second-largest state-owned bank, later this month in an effort to improve declining confidence in the country's economy and its privatisation plans. The sale of UBL to either the Faysal Islamic Bank of Bahrain or the Saudi Bisharahil group, has been urged by the International Monetary Fund to raise Pakistan's foreign exchange reserves and reduce government debt.

A widening trade deficit during the first quarter of the fiscal year that runs to June and growing concerns over inflation – officially at 13 per cent but put by some economists at more than 20 per cent – have undermined confidence in the government's five-year-old economic reform programme.

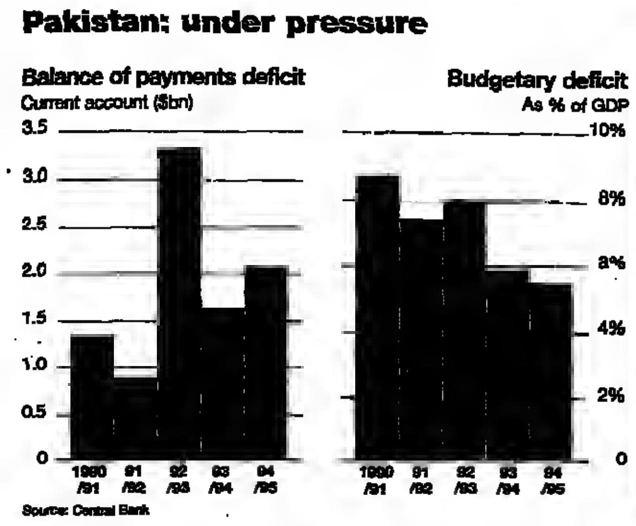
Businessmen complain that the economy is expected to grow at a lot less than the 6 per cent forecast in the June budget. Growth in the 1994-95 fiscal year was 4.7 per cent.

Still, the government is confident that a stabilisation programme announced in October, when the rupee was devalued by 7 per cent, domestic fuel prices were raised by the same margin and new duties slapped on imports, is beginning to work. Since then, Pakistan has negotiated a $600m standby loan agreement with the IMF that has helped to raise foreign exchange reserves to nearly $2.3bn in September from $1.2bn in October.

A bumper cotton crop this year is expected to further improve the reserves, with contracts already signed for exports worth up to $700m during the next three to four months.

"With corrective action taken by us and reinforced by the support of the IMF, the position has changed," said Mr V.A. Jafarey, the prime minister's adviser on finance. Exports have picked up and the balance of trade and foreign exchange reserves have stabilised."

The country's trade deficit improved to a provisional $323m in November from $421m in October, although the gap for the first five months was a provisional $1.7bn, up from $617m during the same period a year ago.



Source: Central Bank


Benazir Bhutto

However, the most difficult task remains that of complying with an IMF requirement that Pakistan reduce its budget deficit to 4.6 per cent of gross domestic product, down from the 5 per cent planned for in the present budget, presented last June. The government is also under pressure from its western donors and lenders to lower its bank borrowing and to step up the pace of its privatisation programme so that the proceeds may be used to retire debt.

Under the terms of the recent IMF agreement, Pakistan is required to limit government borrowing from the banking system to Rs28bn (£513m) this year and to take no more than Rs12bn out of the privatisation proceeds.

But bank borrowing is already running at Rs40bn. The government has alerted ministries that any requests for expenditures beyond this year's target will not be accepted.

The IMF wants Islamabad to use the proceeds from privatisation to retire some of its debt and lower the growing cost of debt servicing, which consumes almost 40 per cent of the national budget.

Meanwhile, businessmen are bracing for higher cost of production after the October devaluation and tax increases. The government says that since its stabilisation measures, there has been a slight reduction in the pace of inflationgrowth, though independent economists disagree.

Mr Yusuf Shirazi, chairman of the Atlas group, the owner of Pakistan's Honda car plant, says: "[Higher] inflation would hurt every home, every shop, every village and every town. For the people as a whole the burden would be unbearable."

Other businessmen warn that the economic consequences of the troubles in Karachi would upset the government's plans to collect up to Rs265bn in taxes during the fiscal year. "With production and consumption getting hit by higher costs, sales are almost certain to fall and the ability of businesses and industry to pay taxes will be limited," said one leading businessman. "A shortfall in tax collection could raise the deficit above the target agreed with the IMF," he added.

Mr Hafeez Pasha, a former Pakistani commerce minister who is the head of Karachi University's prestigious school of business administration, said: "The conditions in Karachi have contributed to an increased perception of risk".

Many investors are anxiously waiting for the UBL sale as one confirmation that the stabilisation programme remains on track. Yesterday, however, the privatisation commission said the sale, which was due to be finalised this Sunday, was being delayed for two weeks.

For its part, the IMF has left Ms Bhutto's government in no doubt that after the setbacks of the past, it will not tolerate any slippage this time.

UK admits expediency in Saudi expulsion

By John Kampfner and Roula Khalaf

UK ministers acknowledged yesterday that the decision to order a leading Saudi dissident seeking political asylum to leave the country was prompted largely by diplomatic priorities – the need to maintain close relations with one of Britain's staunchest allies in the Gulf.

Mr Mohammed al Massaari, head of the London-based Committee for the Defence of Legitimate Rights in Saudi Arabia, an Islamist group that accuses the Saudi government of corruption and anti-Islamic practices, was ordered to leave Britain on Wednesday, after UK officials found him a home on the Caribbean island of Dominica.

Miss Ann Widdecombe, Home Office minister, said the government was not giving way to direct pressure. But she said: "What we do know is that his activities have been complicating our relations with the Saudis and we have had various representations from people in British business and the Saudis about the situation.

"If people come here and use our hospitality in order to attack extremely friendly governments with whom we have good diplomatic and very good trade relations, we have a very difficult balance to strike," she said.

Saudi Arabia bought nearly £2.3bn-worth of British goods last year. Of greatest importance is the al Yamamah government-to-government deal agreed in two stages in 1985 and 1988 and covering supplies of British arms, infrastructure, and defence services worth more than £3bo per year.

Evidence has been accumulating that Mr al Massaari's presence in London was penalising British business. Defence manufacturers said it was too early to say whether the UK government action would unlock orders.

Mr Saad Al Faguih, the director of the CDLR, said Mr al Massaari will appeal against the order; he has 10 days to do so.

The UK Home Office has used a novel approach to get rid of Mr al Massaari. The 1951 Geneva Convention governing refugee status seeks to prevent asylum seekers from being returned to a place where they fear persecution. Common practice has been to return someone to their country of origin or a third country where they may have made a stop. Human rights officials said yesterday that finding a third country in which the refugee has never set foot and has not chosen is unprecedented.

Senior officials said the fate of Mr al Massaari was discussed with Mr Edison James, the Dominican prime minister, when he visited London on December 18.

Mr al Massaari's application for political asylum has never been considered by the Home Office which has always maintained he can be found a safe place to go. Home Office attempts to send him back to Yemen, where he stopped to obtain a passport on his way to Britain in 1994, failed when an appeals tribunal deemed Yemen unsafe.

Opposition backbenchers from the British Labour party rounded on the government yesterday. "We have bowed the knee to the tyranny in Riyadh, which as any observer will tell you, has never looked less secure," said Mr George Galloway, MP for Glasgow Hillhead.

Saudi irritation with Mr al Massaari intensified after the November bombing of a US-staffed Saudi National Guard communications centre in Riyadh, in which the government suspects Islamist involvement.

The CDLR said at the time the Saudi government, by throwing Islamist leaders and dissidents in jail, had created circumstances that can lead to such incidents and that young followers may resort to such measures again.

Editorial Comment, Page 11

Saudi dissident Mohammed al Masaari seems unlikely to go quietly. He is expected to appeal against the expulsion order. PA

Arab pressure will grow on 'haven' for Islamic dissidents

Mr Saad Al Faguih, director of the London-based Saudi Islamist organisation whose leader Mr Mohammed al Massaari has been ordered to leave the UK, said yesterday the dissident group would continue operating from its London office.

"If Massaari is deported, our activity will go on and our basic office will stay in London," he said.

If Mr al Massaari loses his appeal and is forced to leave, his organisation will continue dismaying British and Saudi authorities by continuing what he and his supporters have been doing for nearly two years: from a non-descript apartment in north-west London bombarding Saudi Arabian offices and embassies around the world with faxes telling wild tales of royal family corruption and alleged incompetence by princes, spiced with accusations of sexual peccadilloes.

The departure of Mr al Massaari would make other Arab countries envious. Middle East and North African governments have long argued that London has become too comfortable a base for Islamic dissent and attacks on Arab regimes. "This will open a Pandora's box and others will ask the British government for the same treatment," warned a lawyer who has represented Islamists.

Tunisia, Algeria and Egypt have been lobbying the British Foreign Office to get rid of their Islamic fundamentalist dissidents, but none has Saudi Arabia's clout nor the nuisance factor that Saudi Arabia poses for British business.

Foreign Office officials have maintained there is little they can do as long as British law is not broken.

Algerian officials claim that at least one cell of the Armed Islamic Group (GIA), responsible for the most hideous crimes in the four-year struggle against the Algerian authorities, operates from Britain and contributes to a publication which incites violence in Algeria.

Although UK officials do not dispute the existence of GIA supporters in Britain, they insist the Algerians are being watched and that Britain can only act when evidence of involvement in terrorist attacks arises.

The Algerian government was relieved recently when, after a spate of bomb attacks in France this summer blamed on Algerians, French authorities joined the call for a crackdown on Algerian Islamists in Britain.

As a result, and apparently after the French provided Britain with evidence, British police arrested a group of Algerians in November. One suspect faces extradition to France and has been remanded in custody until February 1.

Perhaps the best-known Islamist leader to have chosen London as his base – and the least likely to be forced to leave – is Mr Rached el Ghannouchi, leader of the Tunisian El-Nahda movement. Mr Ghannouchi, whose organisation is non-violent but whose supporters face repression in Tunisia, was granted political asylum in Britain in 1993.

The Tunisian government wants to see Mr Ghannouchi, considered a moderate Islamist, deported and has often pointed to his links to Palestinian and Algerian Islamists as proof of more radical intentions. The British authorities are aware that Mr Ghannouchi raises money in Britain to send to Tunisia but have no reason to believe the money goes anywhere but to help families of detainees.

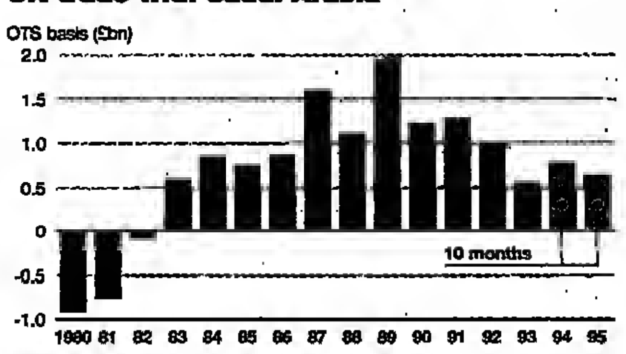
Egypt's Moslem Brotherhood, which also rejects violence, has had a presence in Britain for years. But Egypt, which has cracked down on the Brotherhood in recent months, has claimed that Britain harbours leaders of more extremist Egyptian Islamic organisations who send instructions and funding to militants inside Egypt.

Moderate Islamists in Britain have been feeling the increased pressure in the last year. They have responded by attempting to clean up their image and distance themselves from the extremist groups.

Algeria's Islamic Salvation Front (FIS), the party which had been poised to win elections in 1991, is said to have recently designated only one person as its spokesman in Britain, so as to draw a clear line between the FIS and the GIA. Mr al Massaari now has a public relations consultant who has been helping to shape a kinder, gentler image, and the Moslem Brotherhood last September launched a new centre to attract moderate Islamist speakers.

Roula Khalaf

UK trade with Saudi Arabia



Source: Datastream

SA minister enters black savers dispute

By Mark Ashurst in Johannesburg

Mr Chris Liebenberg, the South African finance minister, held emergency talks this week with the managers of a fledgling scheme for black savers whose funds were frozen last month.

His surprise intervention underlines the political sensitivity of the emerging black business community in South Africa, and the problems of integrating the informal black economy into the formal sector. It comes only weeks after the government intervened to rescue the African Bank, which faced losses of R200m ($54.8m).

Mr Liebenberg called the talks after a protest march in Pretoria last week by more than 1,000 savers in Sun Multi Serve, a community savings institution, or "stokvel". They were protesting at the decision of the Registrar of Banks to freeze their deposits on December 19.

Some 50,000 savers have deposits totalling around R50m in the institution, well above the ceiling of R8.9m laid down for traditional stokvels in the Banks Act.

Mr Liebenberg's intervention appears to be determined not so much by the size of Sun Multi Serve, but by the importance of the traditional community-based savings movement within the black community. The total capital committed to stokvels, an historically popular method of saving among blacks which is attracting interest from the formal banking sector, is estimated at more than R8bn.

Two days of talks this week have so far failed to placate representatives of Sun Multi Serve.

In essence, stokvels enable individuals to draw on the pooled savings of a group, in order to finance major purchases for which blacks could not obtain traditional bank loans.

They vary significantly in the number of members they admit and the rules by which they are bound, but are widely credited with developing a culture of self-reliance among disadvantaged communities.

Members make a regular, fixed contribution to a central fund and then decide collectively how to allocate the money. Individual members can apply for loans, the terms of which are decided by the group after the recipient's circumstances have been assessed.

The interest rates charged by stokvels tend to be high. Some of the oldest ones, which began life as self-help organisations to cater for the immediate welfare of relatively few members, have evolved into well funded organisations able to play a key role in business development.

They remain the principal source of finance for black-owned home industries. The principle of individual accountability which underpins stokvels has also impressed conventional banks, some of which have waived requirements that borrowers disclose the use to which loans will be put in deference to the traditionally secretive culture of most stokvels.

The exact nature of Sun Multi Serve's activities is not clear. Mr Victor Monamudi, spokesman, said it was a non profit-making organisation which had "given black South Africans hope that they can be players in the economic growth of their country".

However, promises of a threefold return on savings and the exponential growth it has experienced since its launch in February have catapulted Sun Multi Serve outside the traditional realm of the stokvel.

It has also been in conflict with its bankers, who have labelled it a "Get Rich Scheme".

Mr Tim Store, chartered accountant appointed to manage the frozen fund, said Sun Multi Serve had outgrown its claim to be community-based.

While the registrar had acted to protect investors, policymakers needed to address problems experienced in the convergence of the informal and formal economies. "The concept of stokvels is not understood. It's a huge movement and there is a lot of confusion."

INTERNATIONAL NEWS DIGEST

Few changes in Egypt's cabinet

Egypt's new government was sworn in yesterday at a ceremony led by President Hosni Mubarak. Mr Kamal el Ganzouri, the new prime minister, made very few ministerial changes. The main portfolios of foreign affairs, defence, information and interior remain the same but there are changes in the economic and finance team.

Mrs Nawal el Tatawi, a former investment banker, becomes minister of economy and international co-operation, and Mr Moheldine el Gharib, former director of the much criticised and ineffective General Investment Authority, becomes finance minister. Mr Yousef Boutros Ghali, who played a key role in talks with the International Monetary Fund and World Bank, has been moved from minister for international co-operation to a new and undefined post of minister of state for "economic follow-up". *James Whittington, Cairo*

South African police 'bugged'

South Africa's police chief said yesterday spies were snooping on his force in a bugging row that has drawn in the National Intelligence Agency and Mr Thabo Mbeki, the deputy president. Commissioner George Fivaz said in a statement the home phone of a senior police service member had been found to be bugged and a listening device had been found in the office of Gauteng provincial police commissioner Sharma Majaraj. *Reuter, Johannesburg*

Argentine inflation falls

Argentina has posted its lowest annual inflation rate in more than 50 years, with retail price growth in 1995 at 1.6 per cent – fully two per cent lower than the government's official forecast a year earlier. The fall from a 1994 rate of 4.1 per cent gave the country its lowest level of inflation since 1944, a dramatic departure from the country's hyper-inflationary recent past. *Matthew Doman, Buenos Aires*

Saddam 'came close to psychological collapse'

By Bruce Clark, Diplomatic Correspondent

Iraq's President Saddam Hussein was surprised and delighted when US-led forces ended the Gulf War sooner than he expected, according to a British televisioo series which reviews the cooflict through the eyes of its main players.

The documentaries also coofirm that General Colin Powell - in line with his reputation for political cautioo - led the camp of "doves" in the US who wanted the fighting to stop as soon as the immediate goals had been achieved.

The series suggests that fear of mounting casualties, on the Iraqi as well as the coalition side, aod the effect this would have on US opinion, was the main reason for the ceasefire announcement on the evening of February 27, 1991.

The rapidly-chauglug mood in Baghdad during the final hours of the war was described by General Wafiq Samerai, who was Baghdad's military intelligence chief at the time but defected last December.

He said the Iraqi President came close to psychological collapse after his forces fled Kuwait.

"Saddam thought that his downfall was imminent," said the ex-intelligence chief. "Do you think the allies will come as far as Baghdad?" he recalls the Iraqi leader asking, in a "quite desperate" tone.

In Washington, meanwhile, Gen Powell was putting to President George Bush the arguments in favour of an early end to the war - without attempting to wipe out the élite Republican Guard or seize the Iraqi capital.

"I pointed out that we were starting to see some scenes that were unpleasant," Gen Powell says in the documentary – referring to the footage of thousands of charred Iraqi corpses, strewn across the road north from Kuwait.

Geu Powell says he wanted to avoid "additional loss of life on the part of the American and coalition forces, or on the part of Iraqi youngsters."

Gen Norman Schwarzkopf, the coalition commander, makes clear that he accepted the political case against marching to Baghdad: France and several Arab states would have quit the coalition, leaving the US and UK alone.

However, his deputy, Gen Calvin Waller, remembers exclaiming "that's bullshit" when informed that a ceasefire was imminent. "We have not accomplished our mission," he protested, only to be told that President Bush had made up his mind.

In Baghdad, the news was greeted with jubilation by President Saddam. "His mood changed just like that, he felt himself to be a great, great hero," according to Gen Samerai.

"His morale rose from zero to one hundred."

The Gulf War, a Fine Art Production for BBC News, in four parts starting on January 7.

Guatemalan strongman seeks proxy comeback

By Fiona Neill in Guatemala City

Guatemalans will choose a new president on Sunday in elections which pit a right-wing member of the exclusive white elite against a populist lawyer backed by a former dictator.

Mr Alvaro Arzu, leader of the pro-business National Advancement party (PAN), narrowly leads the polls with promises to continue Guatemala's stab at pro-market economic reform, attack corruption and reduce discrimination against the majority indigenous population.

But support for Mr Alfonso Portillo, candidate of the Guatemalan Republic Front (FRG), has grown since the first round of elections in November, leaving Sunday's race open.

Mr Portillo is standing in for religious firebrand General Efrain Rios Montt, who was prevented from running as a candidate for his party last year by a constitutional ban on former coup leaders.

But Gen Rios Montt, who is accused of presiding over the killing of thousands of peasants during his 17-month regime in the 1980s, still dominates the FRG. Supporters wear T-shirts that declare: "Portillo to the presidency, Rios Montt to power".

Mr Arzu's impeccable pedigree – he can trace his roots back to 17th century Russia – and his business-friendly discourse have virtually guaranteed him the support of the private sector and incipient urban middle class.

He has promised to increase Guatemala's low tax take by clamping down on evasion rather than increasing taxes and has pledged to continue the tight monetary policies of President Ramiro de Leon Carpio.

His chief skill has been to sell his party as a team of able and honest technocrats, while he has also managed to win over several high-profile leftist academics to his camp to advise on social issues. He even enjoys the backing of key members of the armed forces, still Guatemala's most significant power broker. But he suffers from a lack of charisma and has proven ill at ease in public debate.

Mr Portillo, a former guerrilla sympathiser who spent much of the 1980s in exile in Mexico, is in contrast a skilled career politician who has flirted with left and right in his bid to conquer the murky world of Guatemalan politics.

His latest reincarnation as protégé of one of Guatemala's most notorious military rulers is a gamble. But despite Gen Rios Montt's international image as a human rights pariah, he enjoys widespread support in Guatemala, where some favour a return to the strongman politics of the past.

Mr Portillo has capitalised on the general's macho image with a strong law-and-order message against a backdrop of rising kidnappings and deaths.

Fast-selling new generation of anti-depressants drives up US results in nervous system sector

Strong US sales boost world drug performance

By Daniel Green

World drugs sales grew at their fastest rate last year since the early 1990s, according to data published today.

Sales in the world's 10 biggest markets grew by 8 per cent to $114bn for the 10 months to October, compared with 5 per cent growth in the comparable period of 1994, according to IMS International, the specialist pharmaceuticals industry market researchers.

Growth is being driven by the US, the world's biggest drugs market, where sales rose 10 per cent to $44.7bn.

The figures suggest that the US market depends increasingly on the buoyant nervous system drug sector, which includes a fast-selling new generation of anti-depressants such as Prozac, made by US drugs company Eli Lilly.

Nervous system drugs sales in the US alone amounted to $8.4bn, or 18 per cent of the market. Sales in the sector were 12 per cent higher than a year ago. They have yet to make their greatest impact in the rest of the world, accounting for 12 per cent of European sales and just 5 per cent of the Japanese market.

The fastest growing sector was respiratory drugs, which include asthma inhalers, where sales of $11.5bn were 14 per cent higher than a year ago in constant currency terms.

Heart drugs remain the biggest single area, with sales of $20.6bn, but growth was only 5 per cent up on the first 10 months of 1994, held back in part by increasing competition.

The Japanese market, second only to the US, grew faster than the average, with sales up 9 per cent to $21.9bn.

World pharmacy drug purchases January-July 1994 in US dollars

	N. America	Japan*	Germany	France	Italy	UK	Spain	Netherlands	Belgium
Cardiovascular	7,510	3,366	3,174	2,952	1,355	857	781	311	326
Alimentary/Metabolism	7,720	4,039	2,345	1,937	1,072	1,030	651	384	248
Central Nervous System	8,374	1,075	1,490	1,474	657	725	486	207	264
Anti-infectives	4,422	2,901	975	1,590	824	377	494	105	196
Respiratory	5,094	1,944	1,444	1,024	444	784	391	242	156
Blood Agents	2,243	2,012	551	751	370	98	230	85	69
Musculo-Skeletal	1,921	2,093	702	595	373	315	205	71	86
Others	10,359	4,512	2,980	2,019	1,213	973	697	310	283
Total	47,643	21,942	13,661	12,342	6,308	5,157	3,935	1,715	1,628
% Change**	10	9	7	6	4	8	11	6	7

Source: IMS International *Non-hospital market only **Increase excluding effects of currency fluctuations

Japan has been one of the year's fastest growing markets since the start of the year when a particularly serious influenza season boosted sales of respiratory drugs and antibiotics.

The pace of growth in France edged ahead. Sales growth of 6 per cent, to $12.3bn, was a percentage point higher than in the year to September.

German growth remained at 7 per cent with sales of $13.6bn, while Italy, where the government has introduced stringent spending control measures, saw drug sales rise 4 per cent to $6.3bn. This is nevertheless a sharp turnaround for Italy. In the first 10 months of 1994, after an earlier round of spending controls, sales fell 6 per cent.

The UK continued to grow strongly in 1995 from a relatively low base. Sales grew 8 per cent to $5.2bn. The UK was the only country to be growing at the same pace as a year ago.

Change in law could save banks millions

By Alison Smith, Investment Correspondent

The British government is planning to repeal 19th-century legislation on cheque clearing in a move that should speed up the process and save UK banks several millions of pounds a year.

Shifting to a new system in which the details of cheques can be read and transmitted electronically, and the cheques themselves do not have to be presented at the bank branch on which they are drawn, would bring the UK into line with most other European Union countries.

The Treasury intends to announce the plans before the end of this month and the change is to be made using powers under the Deregulation and Contracting Out Act.

Provided that no problems arise from the consultation exercise this procedure demands, the repeal of section 45 of the Bills of Exchange Act 1882 should take effect before the end of the current parliamentary session.

At present, when a cheque is processed, although the banks can deal with it electronically, they also have to move millions of pieces of paper – up to 10m cheques are processed each day – from their clearing centres to their branches.

The change in the law would cut out significant amounts of paperwork, since the banks would no longer have to return cheques to individual branches.

The impact of the change will be felt over the next few years, as banks upgrade their clearing technology, but is not expected to affect the speed with which cheques are cleared.

Most clearing banks already operate a three-day clearing cycle, and some argue that even if it becomes possible, customers would not favour a shorter period, since it would mean that money left their accounts faster.

The Association for Payment Clearing Services said it did not expect the change to have much impact on banking jobs, since the banks had already made considerable changes to their processing centres, and the savings would predominantly come from reducing the paper-flow.

Within the next couple of months the clearing banks are also expected to make a change in their own processing arrangements.

The move to interbank data exchange will mean that instead of the clearing centres both of the bank that receives the cheque and the bank on which it is drawn electronically capturing the data on the piece of paper, only the bank receiving it will do so.

The repeal of the old legislation was recommended by the Jack committee on banking services in 1989, but the government did not find time for the parliamentary bill the move would have required before the deregulation act gave ministers new powers.

Orange ahead in digital phone battleground

By Alan Cane

Hutchison Orange, the newest of Britain's four mobile phone operators, has surprised its longer established competitors by attracting 50,000 new digital subscribers in December, well ahead of both its own and industry expectations.

The performance of Orange, still less than two years old, suggests that it is making much of the running in the battle for leadership of the UK's emerging digital mobile telephone business, which will dominate the market by the turn of the century.

The company, which is expected to float later this year with an estimated market capitalisation of more than £2bn ($3.1bn), has won the respect of its rivals who have agreed that its innovative pricing packages and decision to invest heavily in its network were strategically correct.

Vodafone, the UK market leader, has this month introduced new tariffs which copy Orange's "per second" pricing and call charges bundled in with monthly rental fees.

Vodafone's decision to compete on price indicates that Orange's "honeymoon" is over – that it has been allowed enough time to establish itself and that its larger rivals are sufficiently worried by its growth to retaliate directly.

It now claims a total of 380,000 digital subscribers, only 20,000 behind Vodafone, which signed only about 25,000 new digital subscribers in December. Cellnet, in which British Telecommunications has a majority stake, claimed 40,000, bringing its total digital customers to 256,000.

The two older companies are handicapped by the need to service and maintain their existing analogue networks and by a scarcity of digital spectrum (the radio wavelengths necessary to carry digital signals). Orange and Mercury One-2-One, which like Orange offers only digital services, have sufficient capacity to support 10m customers each.

Vodafone and Cellnet have asked the government for extra capacity in the part of the spectrum now used by Orange and One-2-One but the decision has been repeatedly delayed. The Department of Trade and Industry said yesterday that it was still considering submissions and would make its decision in due course.

Digital telephony offers higher capacity, better quality of service and lower costs compared with existing analogue networks. It is expected to become the mobile standard by 2000.

UK NEWS DIGEST

£5m deal for Mid-Wales

Mid-Wales has won its first Japanese direct investment with a £5m ($7.65m) project announced yesterday Shimizu Industry is to produce plastic products, principally for the automotive industry, at a 13,000 sq ft factory in Newtown, Powys.

The project, which is grant-aided, is expected to create 45 jobs in a phased expansion programme. It will be Shimizu's first manufacturing base in Europe. The company's customers include Honda, Toyota, Mitsubishi and Nippon Denso. Shimizu's application for grants was processed within 10 weeks of its initial inquiry to the Development Board for Rural Wales.

Although Wales has attracted nearly 50 companies from Japan – these employ around 13,000 people – most are centred in South or North Wales. Mr David Rowe-Beddoe, chairman of the development board, who recently visited Shimizu to clinch the deal, said he believed other international firms would follow the Japanese lead in Mid Wales. *Roland Adburgham*

Car workers reject offer

Vauxhall car workers yesterday rejected the company's three-year pay offer following mass meetings at factories in Luton, Bedfordshire, and Ellesmere Port in Cheshire. The workers voted overwhelmingly against accepting an offer of a 4.5 per cent pay rise now, followed by an increase in line with inflation over the next two years as well as a one-hour cut in the 39-hour week.

Union officials will now urge the company to improve the offer, made at a series of marathon meetings between the two sides before Christmas. Vauxhall said it was disappointed, but was still evaluating its position. *Andrew Bolger*

Ford in 'unique' race deal

Ford said yesterday it is entering a "unique" business relationship with three-times world grand prix champion Jackie Stewart, under which the Scottish businessman will mount a £25m-£30m a year campaign to win the Formula One world championship for the company.

Mr Stewart is to become chairman of a new team, Stewart Grand Prix, to be based at Milton Keynes in Buckinghamshire, southern England.

His son Paul, who heads another racing company, Paul Stewart Racing, is to be managing director. Jackie Stewart, who has been a consultant for Ford for 31 years, has signed a five-year agreement with north America's second-biggest vehicle maker under which SGP will have exclusive access to a new grand prix engine developed by the Vickers' Cosworth Engineering subsidiary in Northampton. *John Griffiths*

Insurers braced for claims

Insurance companies are braced for substantial claims resulting from the effects of cold weather – such as burst water pipes – but yesterday played down predictions that the damage could cost as much as £500m.

The £500m forecast by Balcombe, the loss assessment group, would rank the problems caused by the rapid thawing of frozen pipes among the most costly incidents to hit UK insurers in recent years. Problems, however, have been concentrated in northern England and Scotland. The lower propensity to buy insurance in those regions, and the lower value of properties, is likely to cut the total cost to the insurance companies. *Ralph Atkins, Insurance Correspondent*

Earldom decision in balance

Scotland's King of Arms, the Lord Lyon, was last night beginning his deliberations to decide who should be the next Earl of Selkirk. He is considering counter claims by Conservative MP Lord James Douglas-Hamilton and his cousin Mr Alasdair Douglas-Hamilton to succeed their uncle, the 10th Earl, who died in 1994 without leaving any sons. Also at stake is a £500,000 legacy and a seat in the House of Lords. The Lord Lyon, Sir Malcolm Innes of Edingight, is expected to take several months to reach his judgment. *Press Association*

Marketing campaign will set out to win over hostile small investors

Rail sell-off 'sober and serious'

By Charles Batchelor and Geoff Dyer

Railtrack, the company which has taken over British Rail's track, stations and signalling, will be sold to small investors and the City with a "sober and serious" information campaign, said Mr Richard Aitken-Davies, the company's privatisation director.

This approach reflects the greater sophistication of private investors now and the cautious, even hostile, view taken by many people to the whole idea of rail privatisation.

Railtrack's flotation is estimated to value the company at between £1.5bn and £2bn ($3.29bn-$3.06bn), while the number of UK share owners has risen from 2m ahead of the first British Telecom share sale in 1984 to about 11m.

The greater sophistication of the general investor and the more modest size of the flotation will mean that the government expects to get away with a marketing campaign costing "just" £4m compared with the £40m at today's prices spent on British Gas.

The public's jaundiced view of rail privatisation will also be reflected in the marketing campaign. "Four years ago we might have promoted it as a symbol of the renaissance of the railway but there is not much appetite for that now," said Mr David Freud, managing director of SBC Warburg, which is co-ordinating the share sale internationally.

The campaign will point out that more than 90 per cent of Railtrack's £2.3bn revenues comes in the form of track access fees paid by the train operating companies which are in turn backed by subsidies guaranteed for the life of their franchises of between seven and 15 years.

This concentration on the factual detail of the company and its activities is a response to the complexity of rail privatisation and the smokescreen thrown up by Labour's attacks on the whole idea have combined to confuse the general public and the City alike.

Since Railtrack was only established in April 1994, the government will need to spend more time explaining its attractions.

It is also a flotation which will be particularly liable to political circumstances. The Labour party has opposed previous privatisations but the Railtrack flotation will be closer to a general election. Even if after flotation Labour decided against renationalisation, there is still the risk that a future Labour government would change the regulatory structure.

To help counter these fears, the government hopes to sell at least 30 per cent of the shares to private investors by offering them a discount on the price for institutions.

The flotation price will be the last detail to be announced but investors will have an idea of the price range when the public prospectus is published in April or early May.

Labour leader sceptical on single currency

By Robert Shrimsley, Lobby Correspondent

The British people are not yet ready to accept a single currency, Mr Tony Blair told Japanese business leaders in Tokyo.

In a speech to the Keidanren, the Japanese business confederation, the leader of Britain's opposition Labour party stressed the importance of a "clear commitment to the European Union" but said the conditions for British membership of a single currency did not yet exist.

He said Labour saw clear benefits in term of "trade and stability" and understood why "other countries are keen to see currency union".

However, in a surprisingly sceptical passage Mr Blair added "For it to work there must be real economic convergence in the main countries. It is essential after the problems of the exchange rate mechanism to get this issue right.

"At present neither the economic conditions nor the political consent for such a move exist," he said.

His comments came as Mr Jacques Santer, president of the European Commission, attempted to maintain the momentum for currency union, saying preparations were were well on course for the start of 1999.

"Any attempt to delay monetary union is unacceptable," Mr Santer said on BBC radio.

He predicted that between seven and nine member states would be ready to go ahead with monetary union in January 1999, irrespective of the British opt out.

Mr Blair's observations on Europe came at the end of a wide-ranging speech which sought to reassure Japanese businessmen that a Labour government would not impose economic policies which threatened inward investment.

Accepting the new challenges of globalisation, Mr Blair said "Our tax rates need to be internationally as well as nationally competitive."

In a bid to shed the image of state interference which dogged Labour in the past, Mr Blair insisted he would not turn the clock back to the 1970s, and reiterated Labour's commitment to lifelong education and training.

"Knowledge is the currency of international business. Only if we become the knowledge capital of Europe will we become the enterprise capital of Europe." The "wellsprings" of national prosperity were "knowledge, infrastructure and technology". Only by long-term investment in these could a country meet the challenge of globalisation, he said.

Draft finance legislation confirms revenue's back collection powers

Tax setback for multinationals

By Jim Kelly, Accountancy Correspondent

The Treasury yesterday used the Finance Bill – Budget proposals which a committee of MPs will be examining in detail over the coming months – to put beyond doubt the Inland Revenue's powers to collect back tax from large multinational companies.

The draft legislation disappointed those who had campaigned to try and restrict the Revenue's rights by putting a time limit on their ability to go back over past transactions.

Multinational companies and their advisers had argued that the legislation would give the Revenue's powers which were intrusive and unfair to the taxpayer.

The Revenue said it had always had the powers and was merely putting them into law in order to be sure it could meet legal challenges from multinational companies.

The issue at the heart of the row is transfer pricing – the methods by which companies allocate taxable profit to the different countries in which they operate.

Tax authorities have become more aggressive in trying to get their "fair share" from global companies. Despite international agreements large companies still find themselves under pressure from tax authorities.

Labour yesterday prepared to use the Finance Bill, which turns into law the provisions of last November's Budget, to compound the government's parlous position at Westminster by exploiting anxiety among some Conservatives about plans to introduce the new self-assessment tax system, *John Kampfner writes.*

The bill, although 50 clauses longer than last year's, contained no big surprises and seemed designed to give ministers as few potential pitfalls as possible when it is introduced to the Commons shortly after MPs return from their Christmas recess next week.

Mrs Angela Knight, the economic secretary to the Treasury, said the bill contained "a considerable number of popular themes", adding: "I don't anticipate any difficulties in taking it through."

The composition of the standing committee will be announced after the bill receives its second reading on January 15, and Labour expressed confidence it would be able to entice some Tory backbench support for specific amendments.

With the Conservatives in particularly febrile mood following the defection last week of Miss Emma Nicholson to the Liberal Democrats, Labour will portray any change to the legislation, however technical, as a government setback.

"The Tories are in such disarray that they'll be hard pressed to fill their select committee seats with people they can be sure of voting the right way," said Mr Andrew Smith, the shadow chief secretary. "If they think they're in for an easy ride they've got a shock in store."

More than 80 per cent of the world's multinational companies are understood to have been in dispute with tax authorities over transfer pricing – according to a survey by accountants Ernst & Young.

Last year the Treasury said it would use the Finance Bill to "remove any doubts about the Inland Revenue's procedures in this area". The new legislation would cover "transactions which have already taken place".

"They have not taken account of the representations made to them as yet," said Mr Jim Marshall, head of international tax at KPMG. "They have not addressed the issue of concern – we are worried about their powers to go back over past years."

Mr Marshall said it was wrong that the Revenue could demand information on "ancient" transactions. KPMG had suggested that a time limit be placed on the Revenue's powers in this area of six years.

Mr Marshall said that he expected there to be further consultation on the way in which such tax was raised and that there was still a chance some kind of time limit could be added to the bill.

The Revenue has the power, now confirmed in law, to go back and investigate if a company has fairly allocated such profits in those years where the final tax bill for the company has not been settled.

Glaxo Wellcome, the pharmaceuticals group, has recently twice tried to challenge the Revenue's powers on transfer pricing. It has failed both at the High Court and Court of Appeal. It has, as yet, not announced whether it will pursue the matter further.

Glaxo, which has consistently stated that it has made adequate provisions for taxation liabilities, disputes the Revenue's rights to go back and review transactions before June 1986.

There is uncertainty over the effect of a further challenge to the Revenue, if it were successful, before the Finance Bill becomes law. Some observers believe it could force the Revenue to add a time limit to the legislation. However, the Revenue sees Glaxo as an isolated case.

RECRUITMENT

JOBS: How to give the appearance of being in more than one place at the same time

Conjuring up the instant office

If you let your fingers take a walk through any business directory, you will find dozens of companies that have exploited the language of the new in their titles.

The combinations prefixed by techno and compu are as popular today as those which in earlier days may have used auto and aero. One word which seems to be making this breakthrough into business nomenclature is "virtual". It feels as modern as ... well as "modern" did in the 1960s.

So if you prefix whatever you do with the word "virtual", it gives it the feel of a bang up-to-date enterprise.

But what does this new application mean? It emerged with computer simulation giving the impression of moving within a three-dimensional landscape, hence virtual reality to denote the illusion of reality. Now it is being linked with almost anything. Had this type of usage been around during the consumer revolution of the 1950s and 1960s, we might have had virtual coffee and virtual potatoes.

Instead we have something called the virtual office. The concept has been around in companies for a while, covering everything from hot desking – multiple user desks – to technical systems which can maintain communications with workers who are constantly on the move, whose office can be their hotel room or company car. Now it can be bought "off the shelf" to provide the illusion of big company back-up to the self employed.

Richard Nissen has bundled the ideas together into a business he has called, not surprisingly, The Virtual Office. Nissen has an inventive mind which he inherited from his grandfather, who brought us the Nissen hut, or what today might be called the virtual living space.

Nissen has progressed from the hut to a smart address in Piccadilly which he uses to rent out temporary office space to anyone who needs it. A progression from this was to establish a switchboard and telephone system which can take in and transfer calls, messages or mail anywhere in the world. There is also an area he calls a "touch-down space", not much bigger than a broom cupboard, which can be rented by the mobile worker to make telephone calls, send or receive faxes, or plug a lap-top computer into an electricity supply.

This arrangement, therefore, allows an individual to create the illusion of being in more than one place at the same time. Nissen has some 266 clients using his virtual office. One of them, Jane Deuser, of Deuser Clarkson Business Development, is travelling regularly between London and New York with business in both countries. Deuser runs a consultancy advising people how to get a business off the ground, including devising business plans and finding venture capital.

While she can work from her home in New York or her office in Tooting in south London, she often needs to come into the centre for meetings with clients. The virtual office gives her a temporary base. Calls to either her office in New York or the UK are routed through the Tooting office to wherever she happens to be.

She says: "When I'm in London, I can come in here and take a couple of phone calls. I can meet people here as if it was my business address. I can even hire out a meeting room upstairs by the hour if I need one. I have a full secretarial back-up and I'm on Compuserve so I can take and send E-mail messages.

"It's important for me to have the image that I'm everywhere at the same time. If people in the UK think I'm in New York, they won't call me. But with this system there is no need for me to say that I am out of the country."

Deuser reckons the service works out at about £125 a month. It costs her £75 a month to maintain, with the cost of telephone calls on top of this. It is also flexible.

"I had a huge project in the states which lasted six months so I did not take the service during that time," she says.

● Nissen has now invented his own recruitment system which he calls Job Sort. He used it successfully to recruit a book keeper.

The system works like this: the job is advertised in a newspaper, asking the prospective candidate to phone a particular telephone number. When they call, they hear a recorded message asking them to outline a few details, such as name and address, and to give a three-minute presentation explaining why they would be right for the job. The uncommitted ones hang up and do not return. The clever ones who want the job hang up and work at their presentation before calling back.

Nissen can then play back all the recorded presentations to draw up a shortlist. He hopes to develop the idea in partnership with someone with human resource experience who could make the system marketable as a recruitment tool.

● People thinking of going abroad with their companies might find the purchasing power of their salaries a useful figure when negotiating their package. With this in mind, the Employment Conditions Abroad consultancy has provided the data for the table above.

It shows how much it would cost to maintain living standards overseas in the various country bases. Japan is usually included but because Japanese data has been late arriving, South Africa has been included in its place.

The figures are based on the salaries of a typical middle manager in a medium-sized company and his or her annual outlay on consumer goods, excluding housing.

The order is the same as last year, with Hong Kong managers topping the purchasing power table and Singapore and the US with Switzerland occupying second and third places respectively.

Currencies have been converted to sterling at mid-December exchange rates. For more information about the figures contact Barry Rodin, ECA, 15 Britten Street, London SW3 3TY. Tel 0171 351 5000, fax 0171 351 9396.

Richard Donkin

Nationality of mid-rank manager*	Gross salary in homeland £	Cost of keeping up home-country pattern of spending on consumer goods when in: United Kingdom £	United States £	Switzerland £	Netherlands £	Germany £	France £	Australia £	Hong Kong £	Singapore £	South Africa £
British	41,323	11,541	13,554	26,506	16,667	19,506	19,029	13,906	17,348	18,041	10,508
American	60,048	16,320	13,376	29,977	20,929	23,118	22,737	15,675	20,427	19,431	12,335
Swiss	101,782	16,411	16,418	26,817	19,588	22,651	22,389	16,937	21,637	21,660	14,777
Dutch	61,810	11,010	11,519	21,674	12,568	16,001	15,695	11,678	14,831	15,256	8,925
German	80,944	13,569	13,533	25,722	16,718	17,656	18,900	14,047	18,253	18,591	11,291
French	63,985	14,677	14,551	28,083	18,244	20,413	18,615	14,835	19,030	19,073	11,369
Australian	40,249	12,402	11,733	22,976	15,275	17,087	16,655	11,140	15,942	18,496	9,379
Hong Kong	65,834	21,723	23,016	43,640	27,806	31,858	30,926	22,164	22,598	25,729	18,085
Singaporean	58,863	19,202	19,045	36,385	24,246	27,406	26,454	16,682	22,567	18,106	13,514
South Africa	28,542	9,672	9,530	18,562	12,166	13,750	13,468	9,820	12,605	12,614	6,866

* Gross salary in home country based on middle management position.

FINANCIAL TIMES
COMPANIES & MARKETS
Friday January 5 1996

IN BRIEF

Boeing claims 70% of airliner sales

Boeing captured almost 70 per cent of the world market for commercial jet airliners last year, leaving Europe's Airbus consortium trailing with 15 per cent, the US group claimed. McDonnell Douglas of the US took almost 10 per cent, with the balance shared between British Aerospace and Fokker of the Netherlands. Page 14

Citic Pacific makes HK$3.2bn placement
Citic Pacific, the Hong Kong-listed arm of Beijing's main domestic and international investment vehicle, placed HK$3.24bn (US$420m) worth of new shares, partly to fund an investment in a bridge and toll road in Shanghai. Page 14

US figures confirm dismal retail season
Dismal sales figures for the period between Thanksgiving and Christmas confirmed that US retailers suffered one of their worst peak selling seasons in recent memory in the quarter ending this month. Page 14

GKN in catalytic converter expansion
GKN, the UK automotive components, defence equipment and industrial services group, is today expected to announce a significant expansion of its catalytic converter operations with its first plant in North America. Page 15

Granada holds talks with Council of Forte
Granada Group, the UK TV and leisure company mounting a £3.3bn ($5bn) hostile bid for Forte, the hotels group, is locked in talks with the Council of Forte, the body which safeguards Forte trust shares and has a majority of the voting rights. Page 16

MediaKey plans float later this month

Video Arts, the UK company that used the comedian John Cleese (left) to bring humour to management training, is joining with Marshall Information, the reference book specialist, for a £20m ($31m) flotation later this month. A new company, MediaKey, is being created which will buy both Video Arts and Marshall. The aim is that MediaKey will be valued at £30m and will develop training and reference titles on computer-based formats for sale to world markets. Page 16

Inchcape agrees HK$675m property sale
Shares in Inchcape yesterday rose 8p to 261p after the international marketing and services group announced that it had agreed to sell the headquarters of its Hong Kong motor distribution subsidiary for HK$675m (US$87.2m). Page 16

Pulp price cuts give lie to talk of stability
Wood pulp never fails to disappoint those who claim it is on the verge of a new era of price stability. Pulp, the main raw material for paper-making, solidified its "boom-and-bust" reputation again as two North American producers announced a second price cut in six weeks. Page 17

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)				Ecco	796	+	28
Rises				Interbanque	651	+	35
Asko	745	+	25	**Falls**			
Bill & Berger	560	+	25	Docks de France	539	-	18
DLW	230	+	10	Bouygues	530	-	12
Goldschmidt	960	+	20	SGS-Thomson	180	-	12
Hochtief	854	+	19	**TOKYO (Yen)**			
Holzmann	551	+	20	**Rises**			
NEW YORK ($)				Hitachi Metals	555	+	20
Rises				Nissan Motor	819	+	26
Ceo	47¼	+	2¾	Sumitomo Elect	1000	+	72
...	30	+	4	Teikoku Oil	710	+	14
Falls				Toshiba	840	+	31
Arrow Elec	51⅛	-	5⅛	Toyota Motor	2330	+	130
Symbols	42⅝	-	7½	**HONG KONG (HK$)**			
US Robotics	78⅝	-	5⅝	**Rises**			
Xerox	133¼	-	4⅜	Cheung Kong	51	+	1.5
LONDON (Pence)				Great Eagle	21.9	+	1.0
Rises				Hutchison	51	+	1.3
Babcock	300	+	20	Hysan Dev	21.85	+	0.9
Br Airways	486	+	18	Peregrine Inv	11.5	+	1.1
Purpetual	1938	+	63	Wharf	28.85	+	2.1
Thorn EMI	1568	+	50	**BANGKOK (Baht)**			
Falls				**Rises**			
Buccanophies	495	-	20	Ban Pu Coal	578	+	38
Jacques Vert	115	-	66	Siam Cem	430	+	16
TORONTO (C$)				Shinawatra Comp			
Falls					676	+	44
Budsen Pharm	52	-	2¾	Siam City	418	+	16
Corel	15¼	-	2	Siam Tyre	398	+	28
Delrina	25	-	4½	**Falls**			
Hummingbird	48¾	-	4¾	Lucky Pub	480	-	25
Newbridge Net	55⅛	-	3½				
Potash	91¼	-	3				
PARIS (FFr)							
Rises							
Cr Nationale	323	+	14				

New York & Toronto prices at 12.30.

Italy completes steel industry sell-off

By Andrew Hill in Milan

The Italian state yesterday ended nearly 60 years of control over the country's steel industry with the sale of a majority stake in Dalmine, the producer of steel tubes.

Ilva, the state steel company now in liquidation, said it had accepted a L301.5bn ($190m) offer for 84 per cent of Dalmine from two linked buyers – Techint of Italy, and Siderca of Argentina.

Dalmine, Siderca and its sister company Tamsa of Mexico would together overtake Mannesmann of Germany as the world's largest producers of seamless steel tubes, used in the oil, petrochemical and energy industries, Ilva said.

Dalmine, quoted in Milan, was the last steel company controlled by the Italian state, which once employed tens of thousands of steelworkers across Italy through Ilva's predecessor Finsider, founded in 1937.

Techint and Siderca, both owned by the Rocca family, will pay L310 for each Dalmine share, a slight premium to yesterday's closing price. They will have to launch a formal public offer for the rest of the shares.

Mr Michele Tedeschi, chairman of Iri, the overall state holding company, said yesterday that the privatisation of the steel industry had raised more than L7,000bn for Iri, through acquisition proceeds and debt transfers.

"The sale of Dalmine confirms the direction chosen by Iri for the privatisations, in carrying out disposals not only to maximise profit but also to guarantee continuity and stable employment," he said.

The buyers intend to keep only a 35 per cent stake in Dalmine. At least 15 per cent will be sold to Banca di Roma, the large Italian bank in which Iri has a minority stake, and the rest will be placed with institutional investors. The deal is subject to the approval of the relevant antitrust authorities.

Ilva, advised by BZW of the UK, has also agreed a timetable for the repayment of some L530bn of loans to Dalmine.

Italian state involvement in the steel industry has consumed enormous public investment for scant return. Even after restructuring and the transfer of Finsider's main assets to Ilva in 1988, the industry was still burdened with debt. Under intense pressure from the European Commission to end state subsidies and cut steel capacity, Iri has broken up and sold off the industry to Italian and foreign buyers in the space of two to three years.

The largest chunk of state steel was sold last year when Riva, a private Italian steel company, agreed to pay L2,500bn for Ilva Laminati Piani, the flat steel producer. Riva is now disputing the price, and an arbitrator will have to decide shortly whether it was out of line with ILP's value. The Dalmine sale will leave Iri with minority stakes in two private steel producers.

PRIVATISING ITALY'S STEEL INDUSTRY: THE MAIN STEPS

1994	Acciai Speciali Terni sold for L600bn to German-Italian consortium led by Krupp Hoesch
1995	Edison and Electricité de France buy 74 per cent of Ilva Servizi Energie, Ilva's electricity generation arm, for L370bn. Riva and allies buy Ilva Laminati Piani, flat steels producer, for L2,500bn
1996	84 % stake in Dalmine sold to Techint consortium for L301bn

Source: Iri

Techint was Pilkington's partner in the UK glass company's acquisition of SIV, the Italian state-owned glassmaker, in 1993. Pilkington took full control of SIV last year. Techint also linked up with Mannesmann last year to buy Dalmipianti, the state-owned contractor.

Two US investment banks set a hot pace

By Maggie Urry in New York

Strong profits growth from Morgan Stanley and Lehman Brothers yesterday confirmed that investment banks enjoyed far better trading conditions last year than in 1994.

Following the sharp rise in profits at Goldman Sachs, which like Morgan Stanley and Lehman has a November year-end, good earnings are expected from other Wall Street houses later this month. Both Morgan Stanley and Lehman said high levels of underwriting, especially equities, and growth in fees from mergers and acquisitions were behind the profit increases.

Good results had been expected by the stock market. Lehman's shares were unchanged at $22⅞ in morning trading, while Morgan Stanley's fell $2⅞ to $81.

The profits will mean higher bonuses at the two firms. Mr Richard Fuld, chairman of Lehman, is predicted to receive a bonus of as much as $4m, up from $3m.

Profit comparisons at Morgan Stanley are distorted by a change in year-end from January to November. Net income in the 10 months was $600m. In the nine months to the end of November net income was $562m, against $356m in the nine months to October 31 1994. Net income in the final quarter was $187m, compared with $118m in the quarter to October.

Fully diluted earnings per share in the final quarter were $2.07, up from $1.25 in the third quarter of 1994, but lower than the $2.34 achieved in the three months to August 31 1995. Although investment banking revenues grew sharply to $503m in the final quarter, from $355m in the August quarter, trading revenues fell from $352m to $218m, reflecting lower activity in the bond market in the absence of an interest rate cut. For the year, fully diluted earnings per share were $6.65.

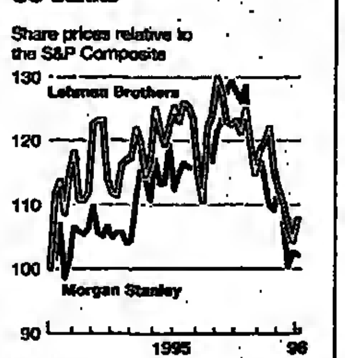
At Lehman, net income for the fourth quarter was $80m before one-off items, compared with $71m in the third quarter and $46m in the fourth quarter of 1994. Earnings per share were 49 cents, up from 32 cents.

For the year, net income was $242m or $1.76 a share, compared with $113m or 69 cents a share in the 11 months to November 30 1994.

Mr Fuld said fourth quarter underwriting revenues were 153 per cent higher than in the same period of 1994, while mergers and acquisitions fees were up 50 per cent. Cost cutting had achieved annual savings of more than $300m. The head count has fallen from a peak of 9,400 in early 1994 to 7,771.

Morgan Stanley increased its quarterly dividend from 32 cents to 35 cents and announced a 2-for-1 stock split. It also authorised a $400m share buy-back programme. Last year the group spent $316m buying 3.9m shares.

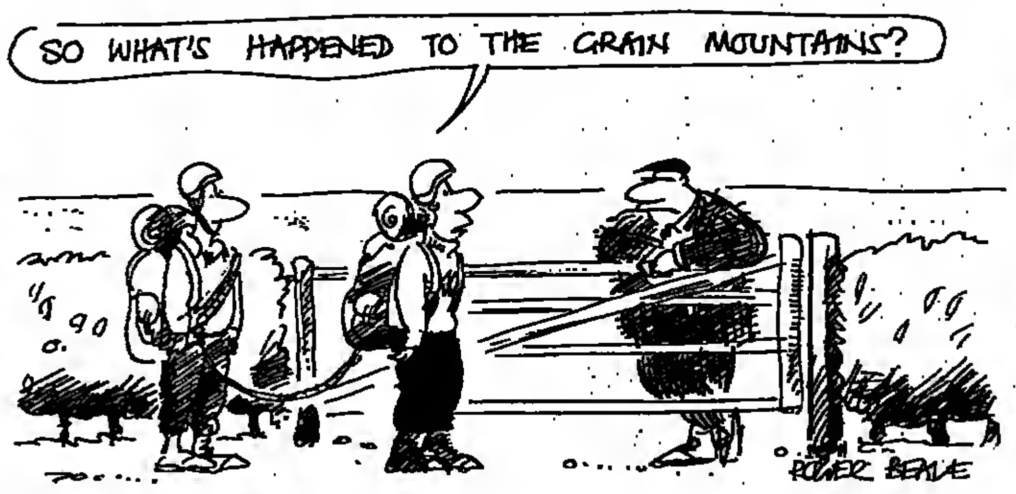
US banks



Source: FT Extel

Deborah Hargreaves and Laurie Morse report on the steep rise in world prices

EU tries to shelter from a wheat market storm



When the European Commission imposed a tax on wheat exports last month, it seized the initiative in a market that was in danger of spiralling out of control.

The imposition of the punitive tax of Ecu 25 ($33) a tonne damped internal EU prices, but sent inflationary waves through the world market, with Chicago futures prices for wheat reaching 15-year highs. It also left wheat importing countries with fewer options over where to buy grain.

The steep price increase has been building for the past six months. Following droughts and crop problems in the main producing nations, the London-based International Grains Council estimates that world stocks will slip to 90m tonnes this year – the lowest level for 20 years.

"The Commission slapped this tax on to show it could control a market that was running away from it," said Mr John Duffy, a grain trader with Banks Agriculture in the UK. "Prices in Europe have drifted down a bit since then, but are still a lot higher than they were three months ago."

The tax has pushed EU prices down to an average of $10-$15 a tonne below world levels. The US export price for wheat at the Louisiana Gulf has risen by more than 70 per cent since April to $210 a tonne.

With EU grain mountains eroded and the once bulging US wheat reserve drained, stocks will represent roughly two months of world consumption by the middle of this year – a lower margin than the market is used to. This does not give much room for manoeuvre if there is a natural disaster such as drought.

"Stock levels leave very little margin for error," said Mr Dan Basse, research director for AgResources, the Chicago consulting firm. "Any indication of production disruption becomes a market factor."

With world prices continuing to rise, Mr Basse and other US analysts believe the EU tax will not succeed in limiting EU price increases over the longer run.

There is no free market for wheat in the EU as farmers are usually guaranteed a price higher than the world level and paid subsidies to export. But, before the tax was imposed, higher world prices were sucking out EU supplies.

The Commission must manage the EU market to ensure that grain supplies remain adequate – annual EU wheat consumption is estimated at 156m tonnes. It does not, however, intend to stop exports altogether.

Although the tax on exports is designed to prevent shippers sending grain wherever they can, the Commission has left in place a tendering system whereby exporters can apply for licences to ship grain.

Exporters must state the level of tax they are willing to pay so that the Commission can pick and choose which shipments to sanction.

For example, it recently received tenders to export 300,000 tonnes of wheat in one week. It granted licences to traders to ship 50,000 tonnes at a tax rate of Ecu15 per tonne.

Mr Franz Fischler, agriculture commissioner, is hoping to keep shipments to traditional markets at a rate similar to the 17.5m tonnes which was exported in the 1994-1995 marketing year, which ran to June. The EU shipped 7.6m tonnes of wheat in July to December 1995 compared with 7m tonnes in same period in 1994.

Mr Fischler was concerned that, before the tax was imposed, farmers were holding back stocks in anticipation of rising prices. But many farmers, particularly in France, dispute this.

"French farmers think it is quite silly to stop us finding new markets outside Europe," says Mr Francis Cappell, a grain farmer near Reims. Mr Cappell runs a marketing co-operative, the Union of Sugar Beet and Cereals Growers, which exports about 1.5m tonnes of grain a year.

"It is not true that farmers are hoarding grain in their silos, we have already exported 75 per cent of our grain and there is still six months [of the current marketing year] to go."

The EU tax has diverted demand to the US, one of the few countries still holding exportable stocks. Although US wheat prices are nearly a third higher than in 1994, in June to December last year the US had already shipped 17.7m tonnes of wheat to foreign customers, up from 15.2m tonnes in the same period in 1994.

The combination of higher prices and higher export levels reflect importers' concern that prices will not ease until after next year's northern hemisphere harvests. Countries such as Egypt and Bangladesh with large grain needs were waiting for prices to drop before buying their stocks. But this has not happened and they now face the prospect of covering their needs at current prices – and their demand is likely to push the market higher still. There are also signs that Russia, traditionally a large buyer of grain, is expecting to return to the market now that its elections are out of the way.

Many traders in Europe and the US believe prices will be volatile while stock projections remain so low, but few believe there will be a big drop in price before the prospects for the 1996 harvest become clear. The Commission has signalled it will keep its tax on exports until this year's harvest.

Higher grain prices could feed through to the consumer in rising prices for basic commodities such as bread, although the EU public has long paid the price of keeping payments to farmers artificially high. Meat prices, particularly for pigs and poultry, could also be affected by higher feed costs. The National Farmers' Union of England and Wales estimates that animal feed costs will rise about 8 to 10 per cent this year.

In the US, livestock producers are being similarly pinched, but recent surveys show that herd numbers remain high – an indicator that grain prices have not yet forced farmers to retrench.

Wheat market – World Estimates (million tons)

	1992/93	1993/94	1994/95	1995/96*
Production	561	558	526	529
Stocks	138	126	103	90

Source: International Grains Council. *Forecast on 23/11/95. Year runs from June

US attacks European tax move

The US attacked the EU's decision to impose a tax on wheat exports yesterday when Mr Gene Moos, under-secretary for agriculture, said the tax was against the spirit of the world trade agreement and would hurt poor countries which have large import needs, writes Deborah Hargreaves.

Speaking at the Oxford Farming Conference in the UK, Mr Moos said: "This market interference sends a very mixed signal to importing countries that need a stable grain supply." He said the US would continue to act as a reliable supplier, allowing farmers to take advantage of higher world prices. Mr Moos believes the world will have to get used to tight supplies after the grain surpluses of the past 20 years. Commodities, Page 23

Eaton foresees long battle over Chrysler

By Haig Simonian in Detroit

The battle for boardroom influence at Chrysler, the third biggest car company in the US, is set to continue indefinitely and damage the company, according to Mr Bob Eaton, its chairman.

Mr Eaton said in an interview that he thought the attempts by Mr Kirk Kerkorian's Tracinda group, Chrysler's biggest shareholder, to gain boardroom representation and influence company policy would split shareholders and lead to a proxy fight at the next shareholders' meeting in May.

"I don't think it will be resolved in any reasonable timeframe," said Mr Eaton at the Detroit Motor Show. "I think we're heading for a proxy fight."

The Chrysler board is expected next month to respond to five demands made last November by Tracinda, which owns almost 15 per cent of Chrysler's shares. The demands include boardroom representation and a review of the need for the company's $6.5bn cash pile.

Mr Eaton warned against conceding "creeping control" of the company.

He believed Tracinda's ultimate aim was to attempt a takeover to maximise its short-term gain.

"I'm willing to meet Tracinda at any time. But attacking us in public is not to the advantage of any shareholder, let alone themselves."

Claiming that the dispute had damaged Chrysler's image and sales, Mr Eaton feared that Mr Kerkorian would remain a shareholder even were he to lose a proxy fight in May. "I don't think he'll go away."

● Chrysler said total sales in 1995 fell 1 per cent to 2.16m units. Mr Eaton said the fall meant earnings would be "clearly less" than in 1994.

Production had been affected by the replacement of the group's best-selling minivan, while earnings had been hit by over-optimistic expectations for demand, which had to be scaled back, and higher than expected incentives.

INTERNATIONAL COMPANIES AND FINANCE

EUROPEAN NEWS DIGEST

Mercedes-Benz sees record sales

Mercedes-Benz, the German luxury vehicles and trucks group, expects sales to reach a record of more than 600,000 cars this year as the company benefits from new models and strong demand in most markets. Mr Jurgen Hubbert, head of the passenger cars division, gave no indication of the effect of the higher turnover on earnings. However, he said profits for 1996, to be disclosed at the end of this month, would be ahead of the DM1.8bn ($1.24bn) made after tax in 1994.

The group sold more than 590,000 vehicles last year, almost exceeding its 1994 record. However, sales in 1995 were held back by weaker demand in Germany and the replacement of the important mid-range E class model. Outside Germany, the group performed strongly, with a 1 per cent rise in sales abroad to a record of more than 342,000 units. Registrations in the US climbed by 5 per cent to 76,752, while Japanese sales also increased by 5 per cent. Sales in the western European market advanced by 1 per cent, while registrations rose 13 per cent in south America and by 6 per cent in the far East.

Mr Hubbert said last year's strong US showing had prompted the group to upgrade its forecasts to 85,000 this year. By 2000, Mercedes-Benz expects to be sell 200,000 vehicles in the US. Most of the boost will come from new models in the pipeline. However, the biggest impact in the US will come from the new All-Activity-Vehicle, to be built at a new factory in Alabama.

● Mr Bernd Pischetsrieder, chairman of BMW, the German luxury cars group, said sales last year rose by 3 per cent to about 585,000 units from 569,000 in 1994. Sales at Rover, the UK car maker owned by BMW, climbed by 2 per cent to about 484,000 from 475,000 in 1994, he said. *Haig Simonian, Detroit*

Accor, VW agree on Europcar

Accor, the French hotel group, and Volkswagen, the German carmaker, have agreed on a new strategy, including management changes and a capital increase, to try to pull their loss-making Europcar joint venture into profit by 1997. The moves follow VW's apparent failure to find a buyer for its half share in Europcar, and were warmly welcomed by Accor yesterday. "We are very happy that VW has now abandoned any idea of selling its share and has joined our position of trying to rescue Europcar," Accor said yesterday.

The new strategy essentially involves giving higher management priority to Europcar. The number of members of Europcar's board is to be halved to comprise two VW board members, Mr Peter Hartz and Mr Bruno Adelt, and Accor's two joint chairmen, Mr Paul Dubrule and Mr Gérard Pélisson. In addition to streamlining the Europcar board, its management is to be simplified. With Mr Hartz as Europcar chairman, a senior Accor executive vice-president, Mr John Du Monceau, will become Europcar managing director. Hitherto responsible for Accor's restaurant and catering business, Mr Du Monceau will replace the previous management of Mr Olivier Devys of Accor and Mr Udo Schulke of VW.

Europcar's two shareholders have also agreed to convert FFr650m ($132.22m) worth of the company's debt into equity, giving it an effective capital increase which "will please the banks", Mr Benjamin Cohen, Accor vice-president for finance, said yesterday. Europcar, which has a rental fleet of more than 100,000 cars, lost FFr250m in 1994. Its two shareholders have given the company until 1997 to show a profit. *David Buchan, Paris*

Rockwool slips to DKr350m

Rockwool International, which will obtain a listing on the Copenhagen Stock Exchange today, reported a decline in pre-tax profits from DKr373m in 1994 to a preliminary DKr350m ($62.79m) in 1995. Sales rose from DKr5.18bn in 1994 to DKr5.44bn. The company claims to be the world's largest producer of stone wool, used for insulation, with 16 factories in eight countries and 92 per cent of its sales taking place outside Denmark.

The group attributed the profits fall to the cost of launching a new, bio-dissolvable product in Germany and to falling demand for insulation material from the Dutch horticultural industry. A continued slow market in Germany means that the earnings in 1996 are likely to be lower than last year, the group said yesterday.

There will be no new issue to accompany today's listing. Rockwool's chief executive, Mr Tom Khler, said the group, with equity capital of DKr2.5bn and an equity to assets ratio of 57 per cent, has no need of new capital at present. *Hilary Barnes, Copenhagen*

Poland sets up telecoms sell-off

The Polish government will prepare a privatisation plan of TPSA, its telecommunications monopoly, this year but is likely to offer only a minority stake initially, Mr Andrzej Zielinski, the telecommunications minister, said yesterday.

Among the options being considered were floating a stake in the company on the Warsaw Stock Exchange or selling equity to a strategic investor or to a group of passive investors, he added.

Mr Zielinski said that after offering minority equity for sale the government would consider allowing investors to extend their stake to above 50 per cent. He added that TPSA would continue to be the sole operator of international telephone connections until 2001 but that later in this decade the government might allow other companies to operate selected inter-city connections. *Reuter, Warsaw*

Share issue produces HK$3.24bn for Citic Pacific

By Louise Lucas in Hong Kong

Citic Pacific, the Hong Kong listed arm of Beijing's main domestic and international investment vehicle, yesterday placed HK$3.24bn (US$418m) worth of new shares, partly to fund a new investment in a bridge and toll road in Shanghai.

The bridge and toll road is already operating and will therefore bring in earnings from the 1996 financial year.

The group placed 120m shares at HK$27 each, representing a 6.9 per cent discount to yesterday's closing price of HK$29.

Some 80m of the new shares were taken up by institutions and the remainder by parent China International Trust and Investment Corporation (Hong Kong), a balance which sees the parent's stake slip by around 1 per cent to 42 per cent.

It is Citic Pacific's third big cash raising move in recent years, after the HK$7.2bn issue in January 1993, which partly financed its purchase of a 12 per cent stake in Hong Kong Telecom, and the HK$3.8bn cash call in April 1994 to pay for property and infrastructure developments.

The new funds will help to service short-term debt or remain on deposit, but HK$800m has been earmarked for the Shanghai project and a further HK$400m will fund the second phase of the Ligang power station in Jiangsu.

Mr Mike Warren, conglomerates analyst at W. I. Carr in Hong Kong, calculates the Shanghai project will provide the group with a further HK$120m a year in earnings, based on a similar 16 per cent fixed rate of return on other investments in Shanghai.

"All in all this confirms that Citic Pacific is seeking to increase its China infrastructure contribution to net profits... Over the longer term this is a stock that all overseas investors should have in their portfolio as the most liquid and probably most transparent red chip in the market," he said.

In its interim results, Citic Pacific showed a 15 per cent contribution to profits from China infrastructure, up from 2-3 per cent previously.

● The flotation of Dragon Airlines, a carrier largely serving China and controlled by Citic Pacific and Swire Pacific, in tandem with its aviation arm Cathay Pacific, could either be scrapped or delayed for some time.

The flotation, first mooted last autumn, is aimed at selling a stake to China National Aviation Corporation (CNAC), the airline subsidiary of the Civil Aviation Authority of China (CAAC), China's aviation regulator. It was expected to value Dragon Airlines at some HK$8.6bn, according to market forecasts.

Although Citic recently said it had pulled out of negotiations to sell its 46 per cent stake in the airline to CNAC, it continues to support the flotation which would make its holding more liquid and force Dragon Air, as a publicly listed entity, to become more transparent and accountable.

Boeing claims 70% of jet airliner market

By Christopher Parkes in Los Angeles

Boeing captured almost 70 per cent of the world market for commercial jet airliners last year, leaving Europe's Airbus consortium trailing with 16 per cent, the Seattle-based group claimed yesterday.

McDonnell Douglas took almost 10 per cent, with the balance shared between British Aerospace and Fokker of the Netherlands.

Confirming the industry's continuing recovery from slump, and 1994's dip when world orders tumbled to their lowest level in 10 years, Boeing said it booked firm orders for 346 aircraft, worth $31.24bn.

Data presented by Mr Ron Woodard, chairman of the group's commercial aircraft division, underlined the sluggishness of the US market, which accounted for only 12 per cent of this operation's orders by value.

In the medium-term, he forecast the Asian market would permanently replace the US as the world's main outlet for commercial craft.

Meanwhile, Asia had proved the leading market in 1995, and would remain the main source of demand in 1996. Europe would be "fairly strong", while US orders would remain relatively weak, he said. Although domestic demand for single-aisle airliners would improve this year, he did not expect an immediate return to "traditional" sales patterns.

It was good to see domestic airlines returning to profit, Mr Woodard added, but he did not think their resources could yet stretch to buying many new aircraft even if they wanted them.

Last year's order totals showed 61 of the 76 aircraft booked by US carriers were for the smaller 737 models which also accounted for more than half of foreign orders. Mr Woodard also stressed Boeing's dominance in Europe, where, he claimed the company accounted for 90 per cent of new aircraft sales last year.

According to Boeing's long-term projections, the world market would require up to 10,000 new aircraft, worth $780bn, over the next two decades.

There was also potential for a further 5,400 aircraft in replacement sales, but they depended on the industry's ability to present products cheaply enough for carriers to consider their existing fleets "economically obsolete".

Boeing has been rigorously restructured during the prolonged downturn in the aircraft industry's fortunes, Mr Woodard added. Last year's orders had been slightly better than projected, and he said 1996 targets had been set significantly higher.

● Airbus Industrie, the European aircraft manufacturing consortium, increased turnover by 13 per cent from $8.5m to a record $9.6bn in 1995, writes Geoff Dyer.

The increase in sales was largely the result of the delivery of a higher number long-range aircraft. In total the group delivered 124 aircraft to 30 customers and received 106 orders during the year, worth $7bn. At the year end it had an order backlog of 578 aircraft worth $46.4bn.

ORDERS FOR 1995

Model	US	Non-US	Total	Announced value $bn
737	61	115	176	6.844
747	2	37	39	6.520
757	9	4	13	0.796
767	4	22	26	2.508
777	0	92	92	14.567
Total	76	270	346	31.235

Source: Company

Dismal holiday trading hits US retailers' fourth term

By Richard Tomkins in New York

Dismal sales figures for the period between Thanksgiving and Christmas yesterday confirmed that US retailers suffered one of their worst peak selling seasons in recent memory in the quarter ending this month.

Many retailers reported declines in sales; nearly all described the season as disappointing; and some that reported increases in revenues will still see a fall in profits because they increased turnover by slashing prices.

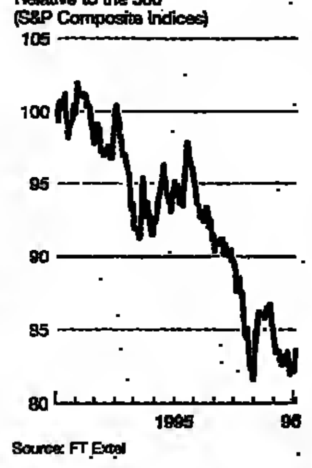
Some companies blamed the weather: many parts of US had an unusually cold December with snow and ice keeping shoppers at home.

Others, however, put the poor sales down to the adverse retailing environment, blamed on the ageing of the baby boom generation and severe overcapacity.

The poor results spanned most types of retailer. Even Starbucks, a specialty coffee house chain that until recently had been a stock market high flier, reported disappointing figures.

US retailers

Relative to the 500 (S&P Composite indices)



Source: FT Extel

Starbucks said sales at stores that had been open more than a year rose only 2 per cent in the five weeks to December 31 compared with the same period a year earlier.

It blamed "the nationwide soft holiday season, the Boeing strike in the Pacific north-west, the partial federal government shutdown, and severe winter storms on both coasts".

Among department store groups, Federated Department Stores reported an increase of just 1.3 per cent in comparable store sales. May Department Stores reported an increase of only 1.4 per cent, and J.C. Penney suffered a decline of 1.4 per cent. Sears Roebuck, however, did well, reporting a surge of 6.8 per cent.

Dayton Hudson, another department store group, said it increased same-store sales by 3 per cent in the five weeks to December 30. However, it warned that it expected to report fourth-quarter earnings of only $3 a share instead of the $3.63 expected by analysts.

Many clothing retailers were badly hit. The Limited suffered a 5 per cent decline in same-store sales; AnnTaylor saw a decline of 13.8 per cent; and Claire's Stores saw an increase of just 2 per cent. Gap, however, did better, with a rise of 5 per cent in same-store sales.

Wal-Mart Stores, the biggest US retailer, increased same-store sales by 1.1 per cent, while the troubled Kmart said it "met expectations" with an increase of 4.5 per cent.

Thomson-CSF buys into Italian group

By David Buchan in Paris

Thomson-CSF, the French defence electronics company, is to buy an initial 25 per cent of Elettronica, an Italian electronic warfare specialist, as part of the French company's continued quest for external growth in Europe.

Thomson-CSF will acquire, for an undisclosed sum, its initial stake in Elettronica by subscribing to a capital increase. It has the option to raise its 25 per cent shareholding to 49 per cent within three years.

Elettronica is controlled by the Fratalocchi and Benigni families, with Finmeccanica, the Italian state holding company, a minority shareholder. It employs 850 people and has a FFr450m ($91.5m) turnover.

Thomson-CSF, which is 58 per cent controlled by the French state-owned Thomson SA holding company, has for several years sought to offset the general decline in defence business through acquisitions in France, the UK and Germany. This way, it has remained Europe's biggest defence electronics company. The French company ranks eighth in the electronic warfare sector, behind US companies which hold the top seven places.

Thomson-CSF has not until now made a significant investment in Italy, but Elettronica's specialisation in electronic counter-measures and decoys is part of Thomson-CSF's core business. It said it was making its Elettronica investment "in the context of the restructuring of the European defence industry".

Thomson-CSF itself may play a part in the forthcoming restructuring of the French industry. The Thomson SA holding company is slated for privatisation, but there is still a question of whether Thomson-CSF might be sold off with or separately from its parent.

● Arianespace, the French space group, expects demand for rocket launches to grow 30 per cent in the four years to 1999, compared with the four years to 1995, AFX reports from Paris.

Annual demand will reach 30-35 launches a year from the 20-25 annual launches of the past six years, chairman Mr Charles Bigot said. Launch capacity will be expanded in the next four years to meet the added demand.

Champion spark plug maker seeks new lead

Cooper Industries is looking for fresh opportunities as sales of its core product slide

Cooper Industries, the US motor components, electrical and hardware group best known for the Champion spark plug brand it acquired in 1989, wants to expand its motor components manufacturing activities outside North America.

The $4.5bn turnover group, which last year spun off petroleum and industrial equipment businesses to concentrate on its three core activities, has spent $300m on motor component acquisitions in Europe and the Asia Pacific region, over the past 24 months.

It intends to spend more, in line with a globalisation strategy "following vehicle makers wherever they see fit to produce", according to Mr Larry McCurdy, vice-president of operations for the Houston, Texas-headquartered group.

A new, multi-million dollar engineering centre, just completed near Liverpool in the UK, will have a key role in developing new ignition and other motor component systems. These, Cooper executives insist, should offset what they acknowledge is likely to be falling global spark plug sales as the result of technology advances.

Little more than a decade ago, spark plugs were routinely changed at 10,000-mile intervals. Now, plugs lasting 60,000 miles are becoming widespread, with the eventual prospect of engine "lifetime" units.

These developments have left plug manufacturers in a similar position to the world tyre industry, whose development of long-lasting radial tyres 30 years ago slashed replacement demand and led makers to develop high value-added performance and other specialist tyres to compensate for lost volumes.

There are already some financial rewards in the form of higher prices for long-life plugs, according to Mr Gordon Ulsh, president of Cooper's automotive division.

However, Cooper is now concentrating on transforming individual ignition components such as plugs, leads and coils into much higher added-value, integrated units installed in each engine cylinder.

Such systems are shortly to be launched on a production road car, allowing electronic management of ignition in each cylinder that would cut exhaust emissions significantly and optimise performance, says Mr Ulsh.

The group, which employs 40,000 world-wide, is also moving from a dependence on fairly simple commodity motor components – such as lights, filters, brake pads and windscreen wipers – to more complex systems for supply to vehicle makers as original equipment.

The automotive sector accounts for just over a third of Cooper's turnover, or $1.6bn. However, its tight margins are reflected in operating earnings of $190m, compared with $326m for Cooper's largest business segment – electrical products – which turned over $2bn. The third leg of Cooper's earnings, tools and hardware, earned $102m on sales of $898m.

The search for fresh acquisitions outside the US is in line with Cooper's aim of becoming capable of shadowing the globalisation programmes of leading vehicle producers, such as the Ford 2000 project. "That doesn't mean that we will manufacture in every location; but there will be a plant close enough to support a car maker wherever he wants to be," insists Mr Ulsh.

Cooper's component manufacturing operations include South Africa – "in dollar terms small but essential as part of developing a coherent global presence" – with joint ventures also coming on stream in China and Taiwan to share in the expected rapid growth of Asia-Pacific vehicle markets.

Partly as the result of developing relations with Japanese "transplant" vehicle-manufacturing operations in the US, Cooper is now selling plugs to 11 Japanese vehicle builders and developing more diverse business with them, such as lighting and windscreen wiping systems.

Part of the reason for Cooper's drive to become a full systems supplier lies in the expectation that lower-cost companies in the Asia-Pacific and east European regions will present an increasing challenge. "At the moment Bosch and NCK may be our best-known rivals. But our biggest problems with spark plugs are the people we've not even heard of yet."

John Griffiths

Foreign players find continent's thirst already quenched at home

Anheuser-Busch, Miller and Heineken have found that making inroads to the huge market is a tricky business, writes **Roderick Oram**

Latin American brewing

Brewers bent on global strategies, such as Heineken, Anheuser-Busch and Miller Brewing, believe Latin America ranks with Asia as a region offering good growth potential.

One Latin America characteristic, though, makes it different and possibly trickier than even China among the Asia markets: it is not virgin territory.

Many of the markets are dominated by monopoly or duopoly brewers, with six of the world's 20 largest brewers operating in the region and accounting for 11 per cent of world beer output, according to Canadean, the UK drinks consultant. Brazil and Mexico are already the fifth and seven largest beer markets in the world; consumption in Venezuela is approaching northern European levels, although it is lower in other countries.

Add a huge distribution overhead – about 90 per cent of Latin American beer is sold in returnable bottles – and it seems the best way for a foreign brewer to make an impact is through a hefty minority investment in an established producer.

That is the route that Anheuser-Busch and Miller have taken recently in the largest markets, and Heineken took a decade before with its investment in Quilmes, an Argentine brewer expanding aggressively into neighbouring markets.

"The best approach is with a local partner," said Mr Bob Cunthner, vice-president and regional director, Americas of Anheuser-Busch International, the US brewer's overseas arm. "It's two-pronged: developing the Budweiser brand and making a local equity play."

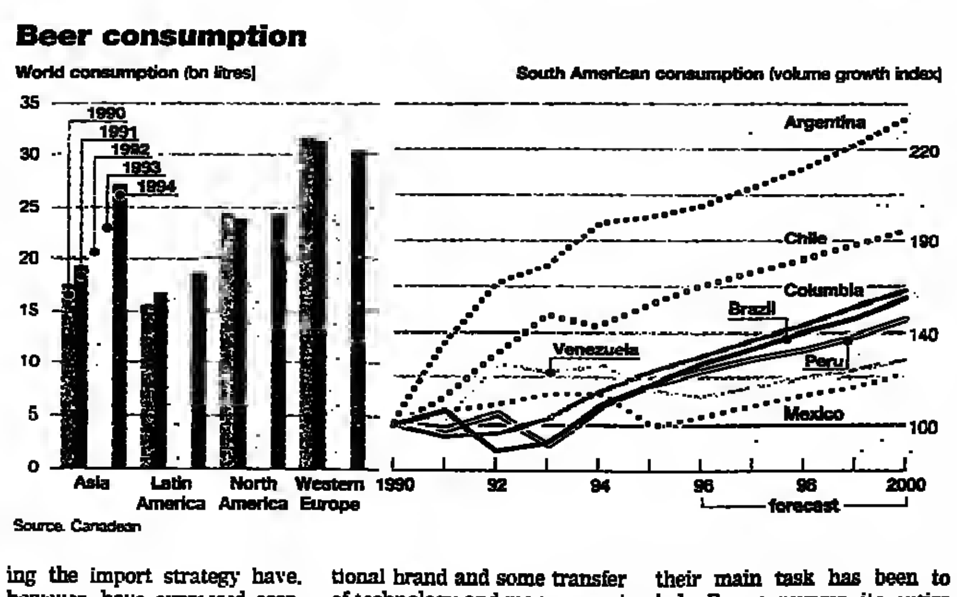
Importing beers is the alternative approach taken by Guinness and Carlsberg, the two other truly international brewers. In addition, Guinness has some small-scale licensed brewing in Central America and Carlsberg has invested in a Paraguayan brewer.

Guinness reckons Latin American drinkers, after decades of bland lagers, are starting to look for "taste beers". But it has no illusions about how hard market building will be. "Consumers are a bit surprised when confronted with a black pint," one Guinness executive said.

Foreign competitors following the import strategy have, however, have expressed scepticism about the local investments of the two US brewers. In Brazil, for example, Anheuser-Busch's investment in Antarctica and Miller's in Brahma "looks like a tit-for-tat", one competitor said. The co-operation agreements with the Brazilian brewers also "look superficial", he added.

Generally speaking, the foreign investors are offering their local partners an international brand and some transfer of technology and management skills. But, largely, they are leaving them to run their own businesses.

Beer consumption



Source: Canadean

Take, for example, John Labatt, the Canadian brewer which in late 1994 paid US$510m for a 22 per cent stake in Femsa Cerveza, the slightly smaller of the duopoly brewers in Mexico. Labatt has only two full-time employees in Mexico City, but their main task has been to help Femsa revamp its entire beer marketing strategy. Labatt says its expertise has helped Femsa halt a long slide in its market share.

Labatt's experience is also a cautionary tale for would-be investors in Latin America. No sooner had it bought into Femsa than Mexico was plunged into economic crisis. The drastic devaluation of the peso and austerity measures caused a sharp drop in beer consumption. Femsa's performance and the value of Labatt's stake. The debacle hastened Labatt's loss of independence and, after a bid battle, it was acquired by Interbrew, the Belgian brewer, last summer.

Brazil experienced an even bigger swing – but thankfully on the upside. Beer consumption rose 16 per cent in 1994 after the launch of an economic reform programme, and another 20 per cent this year.

Taking into account seasonal climatic changes, beer consumption can fluctuate by as much as 25 per cent, one foreign investor estimates. "The good brewers have handled some fairly dramatic economic fluctuations," said another.

The fluctuations also have a severe impact on inter-country beer trade and investment. Although many of the largest brewers are pushing aggressively into neighbouring markets, sometimes their commitments can ebb and flow. Brahma of Brazil, for example, built an Argentine brewery to challenge Quilmes's 78 per cent market share. But when demand boomed back home last year, it diverted Argentine output to Brazil, thus blunting its challenge to Quilmes.

Some brewers have ambitious goals of exporting to Europe and North America, trying to repeat the success of Modelo's Corona and to a lesser extent Femsa's Sol, although both Mexican beers have lost momentum overseas recently.

Ms Emily van Muschenbroek of Canadean said: "Mexican beers have been fadish in the US and UK. They are having to compete with, for example, high quality eastern European beers", which have a longer heritage and thus stronger consumer cache.

An additional concern is the lack of focus at most of the large Latin American brewers. This seems to multiply the risks of stretching management and finances of already capital-intensive and volatile brewing businesses. Femsa in Mexico, for example, is simultaneously building its four divisions: brewing, Coca-Cola franchise, chain of 24-hour convenience stores and packaging.

The breweries are also consuming capital. To meet rising demand at home and to compete cross-border, some brewers are making heavy investments in world-scale, state-of-the-art breweries. Modelo, for example, is spending $400m on a 3m hectolitre-a-year brewery in Mexico – though, rather unusually for Latin America it does nothing more than make beer. Moreover, it has a strong shareholder: Anheuser-Busch has an 18 per cent stake with an option to lift this to 35.2 per cent.

Overall, the combination of large swings in demand, rising cross-border competition, continuing competition from cheap local spirit drinks and heavy capital spending are likely to make the established brewers less profitable than they have been.

But one trend above all else keeps the brewers raising their glasses: Latin American beer volume rose 16 per cent between 1990 and 1994, from 147m hectolitres to 171m hectolitres, according to Canadean, and is forecast to grow a further 25 per cent to 217m hectolitres by 2000.

"The biggest challenge is to keep our long-term focus through all the ups and downs, as we've done in Mexico," said one foreign brewer.

This is the last in a series. Previous articles appeared on November 24, November 29, December 6, December 8 and December 12.

COMPANY NEWS: UK

GKN to build first US plant

By Tim Burt

GKN, the automotive components, defence equipment and industrial services group, is today expected to announce a significant expansion of its catalytic converter operations.

The company, which manufactures parts for catalytic converters in Germany under a joint venture agreement with Siemens Automotive, has drawn up plans to build its first plant in North America.

GKN said the plant would be operated by Emitec, its German associate, which has secured a contract to supply Chrysler, the US motor manufacturer.

Chrysler alone installs more than 2m catalytic converters on new cars and trucks each year.

"Emitec has made very positive progress in recent years, and the opportunity to create this new operation in North America is a most exciting development," said Mr Trevor Bonner, managing director of GKN automotive and agritechnical products.

The German joint venture, which reported sales of DM100m (£44.5m) last year, is expected to transfer about 40 per cent of its production from Cologne to the new plant in South Carolina – equivalent to some 100m units a year.

Emitec said the reduced output in Germany would be "made good by the continuing growth of the European business".

Although the initial $15m (£9.7m) investment in South Carolina is relatively modest, the company said it could grow following talks with other North American carmakers.

The joint venture made only a small contribution to GKN's first half profits of £162.6m.

GKN shares rose 11p to 799p.

● Mayflower Corporation, the engineering group, has entered into a partnership with Chrysler to produce bodies for the Plymouth Prowler, a new Chrysler sports car which is to go into production next year, writes John Griffiths in Detroit.

The company engineered and now *manufactures* the complete MGF sports car body for Rover Group.

Chrysler yesterday would make no sales predictions for the vehicle, which is unlikely to be sold outside North America and has cost the company and its suppliers only $76m (£50m) to develop.

Still gold-crazy after 23 years

Kenneth Gooding profiles Algy Cluff, whose company has been bought by Ashanti Goldfields

Mr Algy Cluff yesterday saw control of the company he founded 23 years ago slip from his grasp and be made no bones about his frustration.

Cluff Resources recently acquired the right to explore the Geita gold area, south of Lake Victoria in Tanzania, and it has had exceptionally encouraging first results. Mr Cluff hoped to see Geita into production and his company propelled into the ranks of the world's senior gold producers.

That was not to be. Ashanti Goldfields of Ghana yesterday declared its £80m agreed offer for Cluff unconditional. It has acceptances for, or has bought, shares representing 76 per cent of Cluff.

Mr Cluff described Ashanti's offer, worth 105p a share, as "a good deal for Cluff shareholders which fully values the company as it stands, while leaving Ashanti with the benefit of the Tanzanian upside".

Much though he would have preferred Cluff to remain independent, "the shareholders' interests are paramount and the board could not ask them to turn down 105p to wait for a prospect that we have not even drilled yet".

Some shareholders who supported him through some very difficult years would collect 10 times their original investment, he pointed out. Mr Cluff's 2 per cent stake in Cluff Resources is valued by the bid at £1.6m.

Mr Cluff, at the age of 56, remains as besotted as ever with Africa and its gold potential. He comments: "Being in love with Africa is like being in love with a woman who does not love you back. You feel like bursting into tears at times." During the past 15 years he had been *spreading* the message among African politicians that capitalism was not inimical to African interests – the reverse is true.

Algy Cluff: "The shareholders' interests are paramount"

Mr Cluff's business career started with the £100,000 his father, a wine shipper and part-owner of a Scotch whisky distillery, gave him to invest. He had been a guardsman – and still carries his 6ft 5in slim frame with a guardsman's straight back – and put his experience with the Grenadiers *in Malaysia* to good use.

He invested in plantation companies valued on the London Stock Exchange by their yield, whereas he recognised that the land they owned was close to fast-expanding centres such as Kuala Lumpur and the companies would be given much higher ratings once the value of their assets was fully understood.

Profits from those investments enabled him to join with "*a glittering array*" of private investors to bid in the fourth North Sea oil round in 1971. Technical expertise was provided by the late Mr Chris Dohm, who had left Amoco to set up Transworld Oil.

In the hope of getting one licence they applied for 10 – and were awarded all of them.

Their CCP North Sea Associates found the Buchan Field, one of the North Sea's biggest. When CCP sold its 30 per cent interest to Tricentrol, investors who had put up an initial £60,000 each collected nearly £1m.

Mr Cluff transferred his shares into Cluff Oil, set up in 1972 to manage the operations for CCP. In the following seven years it never discovered another Buchan. By then, international oil companies were scrambling to acquire *properties* in the South China Sea, thought at that time to contain four times as much oil as the North Sea.

Cluff was among the first to be granted exploration licenses by the Chinese, no mean achievement. Bot there was no oil in the South China Sea for anyone.

Then came an abrupt change from the oil business. By chance, Mr Cluff found himself sitting at a dinner table next to Lord Barber, former Conservative chancellor of the exchequer and then chairman of Standard Chartered Bank, who had just returned from attending the independence celebrations in Zimbabwe.

After hearing Lord Barber extol Zimbabwe's potential, Mr Cluff went to see for himself and his company quickly acquired prospecting rights to large tracts of land in a country where gold exploration had been neglected.

Cluff was the first foreign company to be granted exploration licenses after independence. First gold was found at old workings at Filabusi, south-east of Bulawayo. This became the Royal Family mine, where gold was first poured in 1984.

Using its cash flow and the exploration team built up since 1982, the company, now renamed *Cluff Resources*, discovered the Freda-Rebecca deposit with its 1m ounces of gold, in 1985.

Freda-Rebecca would never have become a mine without the support given to Cluff by Mr Li Ka'shing, the Hong Kong entrepreneur who first joined with Mr Cluff in the China Sea oil venture. Hutchison Whampoa, the Hong Kong industrial group controlled by Mr Li, provided cash when necessary.

Ironically, it was Hutchison's decision to sell its 26.6 per cent of Cluff that ensured Ashanti's bid would be successful.

NEWS DIGEST

Buoyant order book lifts Druck

Druck Holdings, the USM-quoted electronic measuring devices group, reported pre-tax profits up 68 per cent from £2.63m to £4.4m in the half year to September 30.

Mr John Salmon, chairman, said that orders were up 22 per cent and the outstanding order book was 31 per cent higher. Even without big orders from the Royal Air Force and the US Army, orders were up 36 per cent in the UK and 16 per cent in the US, while Japan saw a 54 per cent rise.

Sales rose 34 per cent to £22.7m. Earnings were 43.1p (26.1p) while the interim dividend is raised 22 per ceot to 5p.

Clerical Medical

Clerical Medical, the mutual life assurance group, said yesterday that it was considering withdrawing from Standard & Poor's rating service after being downgraded from AA- to A+. The initial rating was awarded in February 1995.

Brent disposals

Brent International, the speciality chemicals company, has raised more than £7.5m from disposal of non-core businesses and assets. The sell-offs are part of a programme of simplifying and focusing its activi*ties. Proceeds will be used to* reduce borrowings.

Brent has sold its Asian industrial chemicals business to Chemetall, a subsidiary of Dynamit Nobel, part of Metallgesellschaft of Germany. Shares in the company's Hong Kong and Singapore operations have been sold for DM6.75m (£3m) cash, with an earn-out arrangement which could bring in a further £800,000 during the next three years.

The company has also transferred its aerospace interests to ERG Environmental Group for a nominal £1, and sold freeholds in Paris and Ghent. The shares rose 12p to 84p.

Nightfreight

Nightfreight, the express parcel and freight carrier, said yesterday that it had ceased to distribute The Independent and Independent on Sunday.

The group had a three year distribution contract running until May 31 this year. It has agreed undisclosed compensation from Mirror Group, which took a large holding in Newspaper Publishing, owner of the national titles, in 1994.

Panmure Gordon delays marketmaking

Panmure Gordon, the *London* stockbroker owned by NationsBank of the US, is still studying whether to start marketmaking.

"I think we are probably going to do it, but we are still a long way from doing it," said Mr Richard Roddy, Panmure's chief executive.

The broker would need to obtain regulatory approval and recruit staff before it could begin marketmaking.

Mr Roddy said Panmure was most likely to make markets in the shares of its small and medium-sized corporate clients, rather than in bigger companies included in the FT-SE-100 index.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Abbey ♣	5 mths to Oct 31	22.4	(24.7)	3	(4.58)	5.19	(8.16)	2.1	Feb 20	2.1	-	5.25
Druck §	6 mths to Sept 30	22.7	(16.9)	4.4	(2.6)	43.1	(26.1)	5	Feb 19	4.1	-	13.1
Jacques Vert	6 mths to Oct 28	22.5	(24.1)	0.366	(1.36)	2.7	(9.6)	2.25	Apr 12	2.25	-	6.75
Warner Estate	Yr to Sept 30 ☆	14.2	(19.9)	8.56	(7.89)	13.85	(12.27)	7.5	Apr 9	7.5	11.75	11.35

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Throgmorton Pref	Yr to Oct 31 ★	79.88	(85.8)	3.17	(2.91)	5.28	(4.84)	2.8	Feb 13	2.8	5	4.8

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♣Irish currency. §USM stock. ☆Comparatives restated. ★Comparatives for 63 weeks.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 05.01.96: Pool purchase price £/MWh	Final Prices for Trading on 06.12.95: Pool purchase price £/MWh	Pool selling price £/MWh
0030	9.03	30.88	34.25
0100	12.88	40.12	43.68
0130	23.75	35.76	39.34
0200	23.75	35.76	39.34
0230	12.88	31.61	35.19
0300	16.01	43.01	48.59
0330	16.01	43.01	48.59
0400	9.03	31.59	35.17
0430	9.02	31.59	35.17
0500	9.02	31.59	35.17
0530	12.52	32.08	35.65
0600	12.73	32.08	35.65
0630	12.73	32.10	35.69
0700	12.52	35.97	40.18
0730	25.17	46.97	53.30
0800	28.52	65.97	75.33
0830	28.54	82.63	94.28
0900	28.63	88.72	101.27
0930	39.16	85.31	97.19
1000	38.98	82.93	94.43
1030	39.98	80.81	92.06
1100	28.73	79.88	90.99
1130	28.74	83.07	94.80
1200	39.16	83.78	95.57
1230	39.12	78.36	89.14
1300	28.82	63.80	72.50
1330	35.13	50.87	57.81
1400	35.11	47.22	53.56
1430	27.30	44.11	50.05
1500	35.09	43.03	48.73
1530	30.62	48.74	55.88
1600	25.98	108.97	127.04
1630	33.45	292.05	341.63
1700	55.07	491.08	556.16
1730	82.88	657.75	620.09
1800	59.32	436.85	488.03
1830	39.80	255.74	290.00
1900	37.37	140.26	159.99
1930	30.51	84.65	96.32
2000	29.37	57.00	88.79
2030	27.27	37.13	41.40
2100	25.17	34.57	38.42
2130	23.74	34.02	37.62
2200	12.73	32.21	35.79
2230	9.03	32.08	35.65
2300	8.95	31.20	34.77
2330	8.94	30.90	34.47
2400	8.93	30.90	34.47

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.85/MWh becomes 1.685p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 945 4789 between 8:30am and 5:15pm Monday to Friday.

COMPANY NEWS: UK

Increased bid of up to 380p a share expected to be needed for hostile offer to succeed

Granada talks to Council of Forte

By Scheherazade Daneshkhu and Antonia Sharpe

Granada Group, the TV and leisure company mounting a £3.3bn ($5bn) hostile bid for Forte, is locked in talks with the Council of Forte, the body which safeguards Forte trust shares and has a majority of the voting rights.

These talks are part of Granada's review of all its options, including walking away from the bid. They are being conducted through Lazards, Granada's financial advisers and Hambros, advisers to the council. Although it holds less than 0.1 per cent of Forte's share capital, it is entitled to half the voting rights. Its 125,190 ordinary shares give it a majority of votes.

The talks are aimed at reaching agreement on a price for the trust shares or securing the council's neutrality with the promise of safeguarding its position. Its duties include distributing income from its shareholding to charities.

It is believed that Granada, the TV, catering and leisure group, would wish to secure an agreement before next Tuesday, the last day on which it can raise its offer.

Analysts said yesterday that Granada would almost certainly have to increase its bid to succeed in taking over the UK's largest hotels company. One analyst said that Forte's defence, which includes the promise of an £800m share buy-back and a commitment to increase the dividend by 20 per cent for the next three years, has virtually ensured the extraction of a higher offer from Granada.

Granada is offering four new shares plus £23.25 in cash for every 15 Forte shares, worth 327p a share at last night's close. There is a fully underwritten cash alternative of 331.67p. Analysts suggested Granada would need to increase its offer to between 350p and 380p to have a good chance of success.

Granada's shares, which go ex-dividend on Monday, rose 3½p to 653p, while Forte closed down ½p at 342½p.

Bankers said the £2.5bn financing which Granada had put in place prior to bidding for Forte gave it "a degree of headroom" if it wanted to increase its offer.

ABN-Amro, BZW and Chemical Bank announced recently that the three-year banking facility which they had arranged and underwritten for Granada had been heavily over-subscribed at the sub-underwriting stage.

Lloyd's corporate members becoming more like conventional insurers

By Ralph Atkins, Insurance Correspondent

Lloyd's of London corporate members are becoming increasingly like nascent insurance companies, akin to those operating outside the 300-year-old market, according to 1996 membership details released yesterday.

Nine corporate groups, including six joining this year, now control managing agencies responsible for running Lloyd's insurance syndicates. Rules on ownership of managing agencies have been relaxed, allowing underwriting expertise and capital to be brought together as in a conventional insurer.

More than £200m ($308m) has been raised by new corporate members to support underwriting this year, see table below. This is below the £331m raised for 1995 but higher than expected given the uncertainties over Lloyd's future.

Much of the new capital has been raised from US and Bermudian insurance companies, keen to exploit Lloyd's role as an international insurance centre.

In the past three years, approximately £1.5bn has been raised by 69 corporate groups to replace funds of exiting Names, individuals whose assets have traditionally supported Lloyd's. At first the emphasis was on creating "spread" vehicles which supported underwriting on a range of Lloyd's syndicates. More recently, "dedicated" vehicles have become more popular.

Further accentuating consolidation, some 20 syndicates have ceased to trade in 1996. Such trends are likely to accelerate if Lloyd's succeeds in implementing its recovery plan this spring. Ending litigation by lossmaking Names and transfering billions of old liabilities into a new reinsurance company, Equitas, would make the market more attractive to investors.

This year has seen the creation of a number of "parallel syndicates". In these cases, a single corporate member is the sole supplier of capital to a syndicate run alongside another.

LLOYD'S NEW CORPORATE MEMBERS FOR 1996

Company	No. of members	Type	Capital raised £m	Allocated capacity 1996 £m	Backer	Members' agent, Lloyd's adviser or managing agent
County Down/Dornoch	2	Parallel syndicates (2)	50	100	Mid Ocean	Brockbank
Terra Nova Capital	1	Dedicated vehicle	12.5	25	Terra Nova	Octavian
CNA Corporate Capital	1	Parallel syndicates (4)	12.5	25	CNA International	
SVB Underwriting	1	Dedicated vehicle	3.15	5.25	-	Sprackley Villers Burnhope
Ockham Ldn/Ockham Direct	2	Dedicated vehicle	1	2	-	Sturge
Catlin Westgen	1	Parallel syndicate (1)	25.5	51	Western Gen Insurance	Catlin
Camperdown UK	1	Parallel synds (2)/ Spread vehicle	14.5	23	St Paul Companies	
NLC Name No.7	1	Additional corporate member for existing spread vehicle	7.5	15	-	Chartwell Advisers
OBE Corporate	1	Parallel syndicate (1)	20.5	34.17	OBE	OBE Underwriting Agents
Lumley Underwriting	1	Dedicated vehicle	1.5	3	Edward Lumley Hldgs	Bates Cunningham
Stewart Dedicated	1	Dedicated vehicle	5	10	-	Stewart Syndicates
Premium Eta/Premium Zeta	2	Additional corporate member for existing spread vehicle	15	13.91	-	Wellington Members' Agency
Millenium Underwriting	1	Dedicated vehicle	0.9	1.5	-	Mander Thomas & Cooper
Jago Capital	1	Dedicated vehicle	1.5	2.73	-	HG Jago
Plus 6 others unannounced	6	-	30.57	46.04		
Totals	23		201.62	357.6		

Jacques Vert falls on warning

By Neil Buckley

Shares in Jacques Vert plunged 66p to 115p yesterday after the women's wear group announced a 73 per cent fall in interim pre-tax profits from £1.36m to £366,000 ($564,000) and issued a profits warning for the full year.

Mr Bill Reid, chairman, said the mild autumn had hit sales in the half year to October 28 by delaying the start of purchasing of the autumn and winter collections.

Discounting by competitors had also affected ability to trade at full price in September and October, resulting in a reduction in gross margin of 3.1 per cent.

Turnover fell from £24.1m to £22.5m, and operating profit declined from £1.44m to £494,000.

Mr Reid added that continuing difficult trading conditions had led to a fall in forward orders for this year's spring/summer season of 8 per cent.

The result in the second half would also be affected by the agreement in November to convert existing wholesale business with House of Fraser, the department store group, to 50 in-store concessions.

The concessions business would in future be managed through Jacques Vert's retail division. As a result, wholesale and turnover margin that would have arisen in the rest of the year will now arise as retail turnover and margin.

The company reiterated a warning made last month that one-off costs connected with the change, including significant investment in new shopfittings, would reduce pre-tax profits by about £750,000 for the full year.

However, Mr Reid insisted that the conversion was likely to result in an eventual improvement in group sales. Sales in future would be split almost equally between the wholesale and retail divisions, he said.

Earnings per share slumped from 9.6p to 2.7p, although the interim dividend is held at 2.25p.

Fresh exotic locations for BA's new campaign

By Diane Summers, Marketing Correspondent

British Airways yesterday unveiled a two-year £100m advertising campaign, the first worldwide campaign for BA by M&C Saatchi, the breakaway agency set up by Mr Maurice Saatchi last year.

The first TV commercial in the campaign, aimed at business travellers, will be shown this weekend. It shows a series of day-dreams by passengers, taking in exotic locations, including the mountains of Wyoming and the Sierra Nevada desert. In one sequence, an actor on top of a 1,500ft mountain holding up a giant dollar sign was filmed from a helicopter (above). The theme also forms part of BA's new worldwide web site on the Internet, which goes live later this month.

On the cost of producing the commercial, Mr Bob Ayling, BA chief executive, said "the going rate" for such 90-second films was £1m. "They never seem to film in Mönchengladbach," he said.

MediaKey to float later this month

By Raymond Snoddy

Video Arts, the company that used John Cleese to bring humour to management training, is joining with Marshall Information, the reference book specialist, for a £20m ($31m) flotation later this month.

A new company, MediaKey, is being created which will buy both Video Arts and Marshall. The aim is that MediaKey will be valued at £30m and will be able to develop a portfolio of training and reference titles on computer-based formats for sale to world markets.

MediaKey's chief executive will be Mr Richard Harman, former managing director of Dorling Kindersley and the architect of the development of DK's multimedia division.

Mr Harman bought Marshall Information from the Canadian Torstar Group in February. The company, which had operating profits of about £300,000 on turnover of some £5.5m in 1995, is a specialist in the packaging of reference books.

Mr Harman said yesterday: "The transaction bring together two highly successful media groups and the placing opens the way to an exciting future in electronic publishing for the group."

Ms Margaret Tree and Ms Tina Tietjen, the main managers of Video Arts, bought the company from its founders – including Mr Cleese and Sir Anthony Jay – for abont £50m in 1989.

Video Arts, which has a library of 150 titles on video, made an operating profit of £3m on turnover of £12.3m in the year to September 30 1995.

However, most of the profit has been taken up by interest charges arising from the management buy-out.

Following the flotation, MediaKey aims to emerge as debt-free with funds of £4m to develop the company.

Inchcape sells HK property for £56m

By Tim Burt

Shares in Inchcape yesterday rose 8p to 261p after the international marketing and services group announced it had agreed to sell the headquarters of its Hong Kong motor distribution subsidiary for HK$675m (£56.3m).

The company, which is pushing through a wide-ranging restructuring and cost-cutting plan, said that the disposal would result in a HK$350m exceptional profit for 1995.

The 12-storey building at Quarry Bay on Hong Kong Island has been sold to Pacific Century Group, a holding company based in the colony, which plans to demolish the building and redevelop the site for commercial office use.

Although the sale will have no material impact on Inchcape's underlying profits, it is expected to strengthen the group's balance sheet by reducing pro-forma gearing from 64 per cent to about 55 per cent.

"Pacific Century has offered a good price and the exceptional profit will be a useful addition to the balance sheet," the company said.

Under the terms of the deal, Inchcape has already received 15 per cent of the purchase price, with the remainder payable once the deal is completed at the end of this year.

Inchcape yesterday played down the prospect of further disposals and said it did not have a large portfolio of surplus property.

Merrydown ponders a share swap

By Patrick Harverson

Merrydown is considering a share swap with the Australian company which manufactures Two Dogs, the alcoholic lemonade the Sussex cider group distributes in the UK.

However, Mr Richard Purdey, chairman, denied any deal was imminent. Responding to press reports that Merrydown was about to agree a 10 per cent share exchange with Two Dogs International, he said the group had "no present intention of entering into any such agreement" although the possibility of closer involvement between the two companies was "under review all the time".

Since its introduction last summer, Two Dogs has proved a hit among British drinkers, with strong sales helping Merrydown more than treble first half profits.

BUSINESSES FOR SALE

BUSINESSES WANTED

CONTRACTS & TENDERS

PERSONAL

LEGAL NOTICES

No 10017 of 1995

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT

IN THE MATTER of PROVIDENT MUTUAL LIFE ASSURANCE ASSOCIATION
- and -
IN THE MATTER of GENERAL ACCIDENT LINKED LIFE ASSURANCE COMPANY LIMITED
- and -
IN THE MATTER of THE INSURANCE COMPANIES ACT 1982

Notice is hereby given in accordance with paragraph 4 of Schedule 2C to the Insurance Companies Act 1982 that on 20th December, 1995 an order was made by Her Majesty's High Court of Justice under Part I of that Schedule sanctioning a Scheme providing for the transfer to General Accident Linked Life Assurance Company Limited of the whole of the long term business carried on by Provident Mutual Life Assurance Association. As provided by the order, the transfers pursuant to the Scheme were implemented on 1st January, 1996.

Where, in relation to any policy comprised in the business to be transferred pursuant to the Scheme, the State of the commitment is a member State or an EEA State (in each case) other than the United Kingdom (as those expressions are respectively defined for the purposes of that Schedule) and the policy holder has a right to cancel the policy as a result of the Scheme under the law of the State of the commitment, then that right may be exercised during the period of twenty one days following the date of publication of this notice (or, where applicable, during such longer period as may be allowed under the law of the State of the commitment).

Dated this 4th January, 1996
Herbert Smith
Exchange House
Primrose Street
London EC2A 2HS
Ref: 146/C703/30612240

Solicitors for Provident Mutual Life Assurance Association

AJHORY INVESTMENTS (EUROPE) S.A.
A COMPANY INCORPORATED IN LIECHTENSTEIN

I, Peter Richard Copp of BDO Stoy Hayward 8 Baker Street London W1M 1DA, receiver appointed by the High Court over a Mandate Agreement dated 8 January 1982 and a Commission Order dated 18 January 1982 ("the Documents") and the rights and powers conferred thereby ("the Rights and Powers") give notice that I will be selling the Documents and the Rights and Powers by auction to take place at the offices of BDO Stoy Hayward at 8 Baker Street London W1M 1DA on Thursday 1 February 1996 at 10.00 am.

COMMODITIES AND AGRICULTURE

Wheat seen entering era of tight supply

By Deborah Hargreaves

The world must get used to tight grain supplies following over 20 years' of surplus production, Mr Gene Moos, US under secretary for agriculture told the Oxford Farming Conference in the UK yesterday.

"We are moving from an era of surplus production in the US and western Europe to meet the demands of the growing population around the world and we need to adjust our thinking accordingly," he said. Mr Moos believes that current low grain stocks and high prices are indicative of the new era.

He said the tight supplies in the world market will create difficulties for developing countries which import large amounts of their food and where the population is growing rapidly.

The US forecasts that food aid demands will double to 27m tonnes by 2005. Mr Moos said more food aid would be needed as the ability of recipient countries to import commercially lagged.

Politicians must readjust their thinking to create policies that would provide food assurance for large importers such as China and other Asian countries, he said. "It is important to move away from the mentality of surpluses which has prevailed over the past 20 to 30 years."

However, Mr Moos's views on the market are not shared by the European Union which is the world's second largest grain exporter (after the US).

Mr Franz Fischler, agriculture commissioner, said the situation on the world cereals market could be completely different in the next marketing year. "It is dangerous to change all the rules on the basis of an untypical harvest result" he said.

The European Commission last month imposed a tax on wheat exports in a bid to curb shipments. Mr Moos said he hoped the tax would be very limited in scope and that the international community could move forward to a more market-oriented trade policy.

Mr Fischler said he hoped that in subsequent deepening of reforme of the Common Agricultural Policy, the EU could find ways of helping farmers to export without subsidies.

"The objective of market-oriented farm prices must be pursued with vigour so that our farmers can compete satisfactorily on world markets," he said.

The EU must return to the principles of the 1992 CAP reform of reducing price support and compensating where necessary with direct payments, he said. But farmers must also be paid for offering other services, such as environmental protection.

Further CAP reforms were necessary before the EU can extend eastwards, according to Mr Fischler: "There is no question of simply extending the old CAP to new members we must take time to get the recipe right."

Mr Fischler said that even without the catalyst of enlargement, some changes in the CAP would need to be made. He said the EU should not wait for surpluses to reappear before implementing further reforms.

Physical gold demand climbs to fresh record

By Kenneth Gooding, Mining Correspondent

Demand for physical gold reached a record 3,550 tonnes last year, well above the previous peak of 3,416 tonnes seen in 1992, according to preliminary estimates by the Gold Fields Mineral Services consultancy organisation.

This increase in demand was satisfied not by rises in either mine output or recycled gold but by sales by central banks and other official financial institutions and a surge in the sales of borrowed gold as hedging by producers rose to its highest level ever.

Therefore the price remained within the narrowest trading range recorded – only 6 per cent of the average price – since the gold market was freed in 1968, the consultancy points out in its latest Gold Update.

For the immediate future, the crucial question on the supply side is whether the market will have to cope with another large tonnage of "accelerated" supply from producer hedging. GFMS suggests that, although this cannot be ruled out, "it is hard to envisage this [hedging] reaching anything like the levels witnessed in 1995".

The gold price is unlikely to fall much below US$380 a troy ounce, GFMS suggests, a level at which it is firmly supported by physical demand. But, if the price is to rise, much depends on whether western speculators jump on the band-wagon. "Unless there is a sustained speculative investment accompanying any run-up in price, it is hard to see how the price could quickly break out into a new and higher trading range," it adds.

GFMS says that it was surprising that sentiment in the gold market was not more positive last year, given the surge in physical demand at a time when mine production remained flat. "This must reflect an expectation that producer hedging and/or central bank gold sales will continue at high enough levels to balance the market within the same kind of price range that has been seen in the past two years."

Gold 1995 – Update II: £100 or US$160 from GFMS, Greencoat House, Francis Street, London SW1P 1DH.

India remains at head of world consumption league

By Shiraz Sidhva in New Delhi

India continued to be the world's largest consumer of gold in 1995, with demand for the precious metal growing by 21 per cent to 500 tonnes.

The World Gold Council, a Geneva-based organisation that tracks demand in leading gold-consuming countries, said India's gold consumption between January and September 1995 was estimated at 365.4 tonnes, an increase of 26 per cent over the same period in 1994. Official imports during the period were 177.6 tonnes this year.

The actual figures of consumption are higher, including over 110 tonnes of smuggled gold, and nearly 50 tonnes of gold recycled from the domestic market.

The WGC, which set up an office in Bombay last year, says India leads the gold-hungry developing economies of the world, which include Brazil, China, the Gulf countries, Hong Kong, Mexico, South Korea, Taiwan, and Turkey.

Analysts say the spiralling demand will help India to maintain its gold imports, at around 300 tonnes last year, through 1996. This is in spite of a weak rupee, which slid ten per cent against the dollar in the last three months of 1995, pushing gold prices to an all-time high of Rs5,100 per ten grammes during the festive Diwali season in November. This is traditionally followed by the marriage season, during which there is heavy buying of gold jewellery.

"The demand for gold also depends on the summer harvest," says Mr Makhanlal Damani, president of the Bombay Bullion Association. Farmers in rural India invest their money in the yellow metal, further fuelling demand.

Analysts say demand for gold has increased with the expansion of India's middle classes, estimated at 200m, after the government initiated economic reforms in 1991. Indians have traditionally felt more secure investing in the yellow metal than saving in banks or investing in shares.

But despite heavy demand, domestic output of gold actually registered a decline this year. Cumulative output between April and September 1995, from the two government-owned gold-mining companies, the Bharat Gold Mines and the Hutti Gold Mines, was 853kg, some 20 per cent below target.

To make smuggling less lucrative, India scrapped its Gold Control Act in 1990 and opened the bullion market to imports in 1993. Indian expatriates are allowed to bring in up to 5kg of gold, on which duty is levied. Jewellery exporters are also allowed to import gold against foreign exchange earnings.

Gem and jewellery exports were valued at $4,675m in 1994-95, accounting for 17.75 per cent of India's total exports. Jewellery exports registered growth of over 19 per cent in the six months to November 1995, valued at $3,454m, and are expected to do better by the end of the current fiscal year.

Wood pulp market confirms 'boom-and-bust' reputation

Bernard Simon reports on a sharp price reversal

Wood pulp never fails to disappoint those who confidently predict from time to time that one of the most volatile commodities is on the verge of a new era of price stability.

Pulp, which is the main raw material used in paper-making, solidified its "boom-and-bust" reputation again this week. Two North American producers, Champion International and Weyerhaeuser, led the way with the second price cut in six weeks.

The two companies have lowered the North American list price on northern bleached softwood kraft (NBSK), the industry's benchmark product, to US$860 a tonne from $925. Prices in Japan have come down to $875.

Hardwood pulp prices have fallen even further. According to one Vancouver-based trader, spot shipments have changed hands as low as $600, down from an average of over $800 in December.

The cuts came on the heels of a two-year upward spiral that confounded even the most seasoned pulp and paper watchers. NBSK list prices, which sank as low as $390 a tonne in late 1993, touched a record $1,000 last October.

The sudden reversal has brought a dramatic change of mood in pulp and paper markets. Instead of squeezing every last tonne of production out of their machines, as they have for the past two years, many North American and Scandinavian producers are now extending annual holidays, taking maintenance shutdowns or simply closing mills.

Fletcher Challenge Canada, for instance, has curtailed output by 28,700 tonnes at three mills over the past six weeks.

The slump in pulp and paper markets has led several producers to warn that 1995 fourth-quarter earnings, to be published over the next few weeks, will fail to match market expectations.

International Paper, the world's biggest forest-products group, said earlier this week that severance costs and asset write-offs would wipe US$70m, or 17 cents a share, off its pre-tax income. Mr Mark Diverio, analyst at UBS Securities in New York, recently trimmed his forecast for Georgia-Pacific's 1996 earnings from $13.50 to $9.75 a share.

Instead of wondering, as they were a few months ago, how high prices would climb, producers and analysts are now asking how far they will tumble, and for how long. "We're in a free-fall period," says Mr George Adler, veteran analyst at Smith Barney in New York.

The present downturn has its roots in a sharp build-up of stocks and slow economic growth during 1995. According to Pulp and Paper Week, an industry publication, North American and Scandinavian producer stocks of chemical paper-grade market pulp reached 1.85m tonnes at the end of November, the highest level in more than two years. Canadian mills had 32 days supply on hand at the end of November, up from 26 days a year earlier.

Customer stocks have also ballooned, although no statistics are available. According to Mr Adler, "the big question is: how long will it take to get inventories at the customer level back to normal?"

Earlier hopes of a new era of price stability were based partly on the expectation that fast-growing Asian markets would absorb surpluses from North America and Europe.

Instead Chinese purchases fell off markedly in the second half of last year, leaving mills in Taiwan and South Korea to scramble for new outlets. Canadian pulp exports to China dropped to 9,000 tonnes last November from 21,000 tonnes the previous month, according to the Canadian Pulp and Paper Association.

The balance between supply and demand in Asia was further tilted by several big mills in Indonesia that came on stream last year.

Asian producers have generally been reluctant to curb output. In addition, a recent slump in paper demand has led some North American integrated pulp and paper mills to dump low-cost pulp on the open market that would otherwise be used for their own paper production.

Producers are crossing their fingers that the recent price slide will be short-lived. A pulp marketing executive at one Canadian producer describes it as a "temporary period of adjustment".

The producers' hopes rest heavily on an improving US economy as the 1996 presidential election draws closer, and rising European paper consumption in the wake of recent interest rate cuts.

One trader forecasts that Chinese buyers will be more active in the next three months. A Canadian exporter is looking to India and Latin America to help support the market.

Mr Rodney Young, president of Resource Information Systems, a Massachusetts-based consultancy, predicts that prices will level out by next summer, and start to move up again in the second half of the year.

He acknowledges, however, that "the risk is definitely on the downside right now". He estimates that about 1.5m tonnes of new softwood pulp capacity will come on stream this year, much of it in Scandinavia.

Stagnant demand would intensify the downward pressure on prices. If growth rates in the US and Europe fall short of 2 to 3 per cent this year, the pulp market could dive as steeply in 1996 as it climbed in 1994 and 1995.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1612-13	1633-34
Previous	1653.5-55.5	1676-78
High/low	1648/1647.5	1674/1620
AM Official	1647.5-48.0	1667.5-68.0
Kerb close		1625-6
Open int.	225,644	
Total daily turnover	74,180	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1420-30	1460-65
Previous	1450-55	1488-90
High/low		1490/1465
AM Official	1450-55	1487-90
Kerb close		1450-60
Open int.	5,069	
Total daily turnover	1,442	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	690.5-1.5	689.5-90.5
Previous	680-81	683-84
High/low	694/693	695/686
AM Official	694-95	692-93
Kerb close		688.5-689
Open int.	32,301	
Total daily turnover	8,042	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	7510-20	7630-40
Previous	7450-60	7565-75
High/low		7770/7615
AM Official	7610-20	7730-35
Kerb close		7635-40
Open int.	39,560	
Total daily turnover	11,365	

■ TIN ($ per tonne)

	Cash	3 mths
Close	6275-85	6290-300
Previous	6240-50	6260-65
High/low	6300/6290	6315/6290
AM Official	6305-10	6315-20
Kerb close		6250-60
Open int.	13,437	
Total daily turnover	2,191	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	997-98	1020-20.5
Previous	989.5-91.5	1013-15
High/low	1000	1024.5/1017
AM Official	1000-1000.5	1023-23.5
Kerb close		1023-4
Open int.	79,479	
Total daily turnover	14,834	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2755-60	2570-71
Previous	2739-40	2572-73
High/low	2785	2586/2562
AM Official	2785-90	2582-83
Kerb close		2562-3
Open int.	166,963	
Total daily turnover	87,537	

■ LME AM Official £/$ rate: 1.5503
LME Closing £/$ rate: 1.5485

Spot 1.5459 3 mths: 1.5426 6 mths: 1.5387 9 mths: 1.5348

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	121.40	-0.90	123.80	121.20	333	2,761
Feb	118.30	-1.70	121.30	119.40	153	1,167
Mar	114.70	-2.20	117.85	114.60	10,520	24,290
Apr	113.30	-2.40	116.50	113.80	322	622
May	111.90	-2.65	115.30	111.90	1,205	3,761
Jun	110.95	-2.85	114.50	111.80	119	528
Total					13,767	42,271

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	393.40-393.30		
Opening	393.60-394.00		
Morning fix	393.60	253.935	459.018
Afternoon fix	394.25	254.749	463.323
Day's High	394.30-394.70		
Day's Low	393.10-393.50		
Previous close	393.50-394.00		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	2.87	6 months	2.85
2 months	2.87	12 months	2.73
3 months	2.88		

Silver Fix	p/troy oz.	US cts equiv.
Spot	345.00	534.75
3 months	349.80	541.05
6 months	354.45	547.05
1 year	364.00	558.95

Gold Coins	$ price	£ equiv.
Krugerrand	393-396	254-256
Maple Leaf	405.00-407.50	
New Sovereign	91-94	59-61

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	394.7	-0.8	397.4	397.4	15	13
Feb	395.4	-0.8	396.0	394.1	102,217	70,518
Apr	397.3	-0.9	398.2	396.2	7,756	20,068
Jun	399.3	-0.9	399.8	398.2	2,423	24,006
Aug	401.2	-1.0	-	394.5	129	4,465
Oct	403.1	-1.1	403.5	402.3	753	3,970
Total					115,736	177,458

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	410.8	+1.3	412.0	408.0	116	310
Apr	413.9	+0.5	414.0	411.5	8,826	17,701
Jul	415.8	+0.5	415.0	414.5	30	2,391
Oct	417.3	+0.5	417.0	414.0	171	1,373
Jan	418.9	+0.5	-	408.0	5	54
Total					8,976	21,829

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	133.60	-0.40	135.00	133.25	847	5,365
Jun	135.10	-0.40	-	135.75	248	818
Dec	137.60	-0.40	-	-	-	8
Total					1,095	6,189

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	536.1	+2.3	-	538.0	10	14
Mar	541.0	+2.3	542.0	536.5	36,640	58,771
May	545.8	+2.3	545.5	541.5	569	10,254
Jul	550.2	+2.3	549.5	548.0	147	7,531
Sep	554.8	+2.3	552.0	552.0	17	0,893
Dec	561.0	+2.3	559.0	544.0	104	5,986
Total					37,487	84,194

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Feb	19.83	-0.06	20.08	19.69	36,283	80,332
Mar	19.32	-0.02	19.50	19.18	21,406	49,092
Apr	18.89	-0.01	18.94	18.79	7,301	30,143
May	18.57	-0.01	18.58	18.50	5,158	20,327
Jun	18.33	-0.02	18.33	18.22	2,290	35,607
Jul	18.14	-0.02	18.18	18.03	4,971	19,358
Total					98,375	362,585

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Feb	18.51	-0.12	18.61	18.37	18,381	62,761
Mar	18.01	-0.07	18.06	17.92	13,045	32,783
Apr	17.62	-0.03	17.65	17.54	3,010	14,548
May	17.28	-0.06	17.32	17.25	1,688	12,121
Jun	17.06	-	17.08	17.01	955	12,104
Jul	16.89	+0.01	16.94	16.80	227	5,286
Total					37,302	149,687

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Feb	59.15	-0.29	59.50	58.40	30,502	59,147
Mar	56.35	-0.11	56.45	55.60	9,142	23,674
Apr	52.85	+0.09	52.85	52.20	3,376	6,432
May	50.45	-0.01	50.50	50.20	2,607	7,526
Jun	49.36	-0.05	49.40	49.00	563	8,236
Jul	48.75	-0.41	48.76	48.75	582	5,040
Total					47,539	123,095

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	176.25	-2.50	178.25	175.25	8,432	30,476
Feb	171.50	-2.25	173.25	170.75	8,032	29,987
Mar	166.25	-2.00	167.00	165.75	1,223	9,426
Apr	160.75	-1.75	161.75	160.50	1,266	4,577
May	158.00	-1.75	159.00	158.00	214	1,549
Jun	155.50	-1.50	156.00	155.00	829	5,493
Total					20,789	90,108

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Vol	Open int
Feb	2.980	-0.006	3.029	2.870	18,517	37,777
Mar	2.365	-0.012	2.399	2.305	7,586	24,242
Apr	2.005	-	2.030	1.975	2,891	15,317
May	1.875	-	1.890	1.865	1,935	13,347
Jun	1.820	-	1.830	1.805	898	10,714
Jul	1.780	+0.005	1.785	1.775	831	7,957
Total					34,362	164,449

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Feb	58.05	+0.31	59.10	57.90	12,208	30,618
Mar	56.95	-	57.15	56.38	3,904	11,388
Apr	58.80	+0.20	58.60	58.05	2,500	0,273
May	57.93	+0.18	57.95	57.50	438	5,049
Jun	57.25	-	-	-	83	2,808
Jul	58.15	+0.10	-	-	98	3,091
Total					19,288	61,217

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	123.15	-1.05	123.70	123.50	40	363
Mar	125.25	-1.05	125.90	125.40	112	2,571
May	127.30	-1.10	128.05	127.30	155	3,378
Jul	129.10	-1.25	130.10	130.10	5	419
Sep	114.50	-	114.50	114.50	11	183
Nov	115.85	-0.55	116.50	116.00	66	952
Total					389	7,803

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	500.25	-8.00	509.50	496.00	16,597	55,134
May	473.00	-6.50	480.75	471.00	1,983	9,711
Jul	441.00	-7.50	449.50	439.50	5,095	30,271
Sep	442.50	-6.50	449.50	440.50	206	5,432
Dec	448.75	-6.25	456.00	447.00	260	2,913
Jul	388.50	-	390.00	389.98	25	99
Total					24,106	103,560

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	369.00	-5.00	373.75	365.00	51,810	285,230
May	373.00	-4.50	377.50	369.00	15,963	85,038
Jul	370.50	-4.25	375.25	366.00	11,246	77,527
Sep	316.50	+0.25	317.50	313.50	2,311	17,993
Dec	296.50	-0.75	298.25	295.50	6,389	42,156
Mar	304.00	+0.50	304.50	302.50	175	2,241
Total					88,011	511,342

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	115.25	-0.25	115.65	115.50	30	227
Mar	116.75	-0.75	117.65	117.25	25	846
May	118.50	-0.50	110.00	119.00	5	410
Sep	109.25	-	-	-	5	20
Nov	110.50	-0.50	-	-	5	66
Total					38	1,589

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	748.00	-8.00	759.00	745.50	12,087	10,508
Mar	755.75	-7.25	770.00	755.00	42,027	109,150
May	763.75	-7.75	775.00	761.00	4,108	24,251
Jul	768.00	-5.75	775.00	761.50	5,586	27,672
Aug	760.00	-4.00	768.00	757.00	675	2,149
Sep	732.50	-2.50	737.50	730.00	53	2,159
Total					68,161	204,051

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	24.96	-0.22	25.25	24.87	4,847	4,337
Mar	25.24	-0.33	25.61	25.20	12,139	42,950
May	25.60	-0.35	25.98	25.55	1,722	13,837
Jul	25.85	-0.37	26.30	25.85	844	11,127
Aug	26.00	-0.32	26.28	26.07	420	2,531
Sep	26.12	-0.28	26.40	26.20	21	944
Total					20,350	81,842

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	237.3	-2.1	240.8	236.0	3,512	7,471
Mar	241.0	-1.9	244.8	239.6	12,225	60,233
May	242.1	-1.4	245.3	240.7	2,540	14,026
Jul	241.7	-1.1	245.3	240.0	1,732	13,108
Aug	238.3	-0.7	241.0	238.0	515	2,140
Sep	230.8	-0.7	233.3	230.5	176	1,637
Total					20,883	102,802

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	200.0	-	-	-	-	-
Apr	226.0	-7.0	230.0	223.5	140	1,023
May	250.0	-20.0	255.0	255.0	-	9
Jun	325.0	-	-	-	-	-
Total					143	1,054

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	1660	+55	1660	1625	184	1,084
Feb	1629	+54	1630	1580	80	210
Apr	1585	+47	1585	1560	00	1,373
Jul	1405	+57	1420	1307	55	893
Oct	1433	+48	1470	1470	-	210
Jan	1515	+52	-	-	-	22
Total					445	3,724

	Close	Prev
BFI	1589	1588

FUTURES DATA
All futures data supplied by CMS.

Wool
Auctions are not resumed in wool producing markets till next week and there are few pointers elsewhere on the likely direction of prices then. Christmas retail sales were good enough to lead to stock reductions but traders in Europe are not so far indicating that new orders have come through as a result. Any benefits from colder weather have also yet to come through. There are nevertheless hopes that the earlier months of 1996 will bring greater firmness to the wool market, perhaps even a rise to help bring out more business and confidence. Prices meanwhile in wool processing countries are unchanged, and there are difficulties in maintaining full production. It may be that the corner is being turned but definite evidence in not there yet.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	886	-10	892	883	2,431	35,539
May	908	-9	911	905	1,025	15,138
Jul	927	-9	932	925	374	7,774
Sep	946	-8	950	944	626	29,643
Dec	964	-8	970	963	598	7,434
Mar	984	-5	988	981	607	20,605
Total					5,690	121,809

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	1256	+8	1260	1236	6,759	38,489
May	1282	+9	1285	1262	1,919	17,682
Jul	1306	+9	1306	1287	575	6,378
Sep	1329	+9	1328	1312	55	9,545
Dec	1358	+7	1360	1345	11	8,107
Mar	1386	+7	1370	1367	337	5,777
Total					9,656	87,145

■ COCOA (ICCO) (SDR's/tonne)

Jan 3	Price	Prev. day
Daily	911.82	914.52

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	1861	+58	1883	1800	460	2,484
Mar	1738	+68	1739	1670	3,975	16,311
May	1631	+49	1630	1570	1,890	7,828
Jul	1576	+46	1574	1515	324	3,224
Sep	1558	+43	1537	1500	175	1,435
Nov	1543	+42	1545	1500	21	408
Total					6,845	31,798

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	97.85	+4.10	98.10	93.00	6,461	19,257
May	97.25	+4.30	97.75	92.75	1,074	5,321
Jul	97.15	+4.15	97.75	92.75	108	2,007
Sep	97.40	+4.20	97.45	93.00	85	1,308
Dec	97.00	+4.00	97.25	95.50	54	620
Mar	97.00	+4.00	95.00	95.00	9	218
Total					7,781	28,943

■ COFFEE (ICO) (US cents/pound)

Jan 3	Price	Prev. day
Comp. daily	90.36	90.80
15 day average	96.65	87.41

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	10.90	-	-	-	-	-
May	11.10	-	-	-	-	-
Jul	11.10	-	-	-	-	-
Oct	11.19	-	-	-	-	-
Total					-	-

■ WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	353.1	-1.7	364.8	362.3	1,251	14,804
May	346.5	-2.2	348.5	346.0	467	7,802
Aug	334.5	-1.8	336.5	334.5	140	3,930
Oct	310.0	-1.8	311.1	310.0	74	3,730
Dec	303.4	-1.4	304.6	304.4	40	1,831
Mar	302.3	-0.5	303.0	302.5	11	380
Total					2,800	32,501

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	11.72	-0.12	11.08	11.68	10,322	87,121
May	11.28	-0.09	11.38	11.27	2,461	26,970
Jul	16.50	-0.07	10.58	10.48	1,019	17,193
Oct	10.22	-0.03	10.30	10.20	707	19,573
Mar	10.00	-0.02	10.07	9.97	151	11,687
May	9.87	-	9.96	9.83	101	1,700
Total					14,781	164,871

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	83.35	+1.20	84.15	83.15	6,413	26,556
May	82.80	+1.15	83.85	82.60	1,367	10,361
Jul	82.11	+1.18	82.95	82.00	403	7,448
Oct	79.45	+0.75	80.00	79.10	25	1,816
Dec	77.85	+0.77	78.10	77.10	443	9,996
Mar	78.70	+0.77	79.00	78.20	-	951
Total					8,728	58,676

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	119.70	+2.95	120.30	118.10	868	2,263
Mar	122.30	+3.00	123.20	120.50	2,696	13,758
May	124.75	+2.60	125.50	123.75	219	2,049
Jul	127.50	+2.85	128.00	126.25	51	759
Sep	129.75	+2.80	129.75	129.50	20	1,044
Nov	129.75	+3.30	-	-	1	323
Total					3,854	21,402

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME and CSCE are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Jan 4	Jan 3	month ago	year ago
2102.4	2081.4	2125.3	2226.9

■ CRB Futures (Base: 1967=100)

Jan 3	Jan 2	month ago	year ago
245.03	244.45	-	-

■ GSCI Spot (Base: 1970=100)

Jan 3	Jan 2	month ago	year ago
208.84	207.42	191.21	178.88

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Feb	66.375	-0.275	67.050	66.350	7,357	31,300
Apr	66.575	+0.100	66.900	66.325	2,830	17,528
Jun	62.650	+0.200	62.975	62.325	1,511	10,052
Aug	61.550	+0.325	61.650	61.050	460	4,373
Oct	62.800	-0.025	63.000	62.725	335	3,958
Dec	63.425	-0.025	63.500	63.200	95	2,041
Total					N/A	N/A

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Feb	45.700	+0.125	45.875	45.100	7,365	13,681
Apr	45.750	+0.450	45.850	45.200	5,032	7,292
Jun	51.000	-0.050	51.350	50.725	2,477	5,724
Jul	50.800	+0.025	51.175	50.600	943	2,674
Aug	50.075	-0.025	50.250	49.700	620	2,582
Oct	46.000	-0.100	46.350	46.000	505	1,251
Total					N/A	N/A

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Feb	53.700	-0.575	54.550	52.600	945	4,532
Mar	53.875	-0.225	54.800	53.000	306	1,001
May	54.700	-0.300	55.700	54.100	315	608
Jul	56.100	-	56.850	55.050	137	620
Aug	53.800	-0.100	54.900	53.800	35	187
Total					N/A	N/A

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Feb	Apr	Feb	Apr
1500	119	149	4	14
1600	45	80	29	43
1700	10	35	93	97
■ COPPER (Grade A) LME	Feb	Apr	Feb	Apr
2500	145	99	18	81
2600	77	57	47	138
2700	33	-	103	-
■ COFFEE LCE	Mar	May	Mar	May
1500	251	191	198	80
1550	209	-	239	79
1600	171	-	282	-
■ COCOA LCE	Mar	May	Mar	May
850	48	72	10	14
875	30	55	19	22
900	17	40	32	32
■ BRENT CRUDE IPE	Feb	Mar	Feb	Mar
1850	22	22	17	-
1900	9	10	-	-
1950	5	-	-	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Feb)

		+or-
Dubai	$17.43-7.45w	+0.180
Brent Blend (dated)	$19.09-9.11	
Brent Blend (Feb)	$18.59-8.61	+0.020
W.T.I.	$19.87-9.88w	+0.055

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

		+or-
Premium Gasoline	$175-177	
Gas Oil	$161-162	-3
Heavy Fuel Oil	$106-108	-2
Naphtha	$172-174	+1
Jet fuel	$206-208	-2
Diesel	$184-186	-2.5

Petroleum Argus, Tel. London (0171) 359 8792

■ OTHER

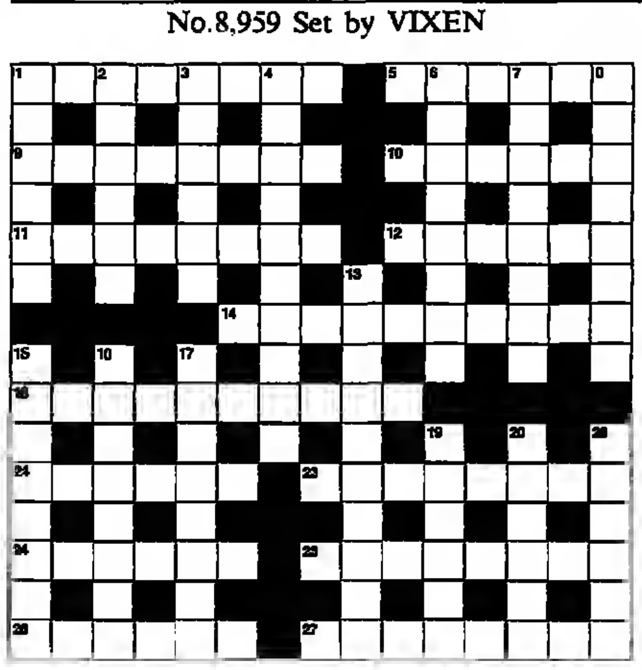
		+or-
Gold (per troy oz)♣	$393.60	-0.15
Silver (per troy oz)♣	534.50c	-5.00
Platinum (per troy oz.)	$409.75	-0.75
Palladium (per troy oz.)	$131.50	-1.50
Copper	125.0c	
Lead (US prod.)	41.75c	
Tin (Kuala Lumpur)	15.75m	
Tin (New York)	298.5c	-1.0
Cattle (live weight)†	120.47p	-2.13*
Sheep (live weight)†♠	108.17p	-17.06*
Pigs (live weight)†	112.25p	-5.00*
Lon. day sugar (raw)	$317.7	-1.9
Lon. day sugar (wte)	$390.8	+2.1
Barley (Eng. feed)	£117.75	
Maize (US No3 Yellow)	151.0z	
Wheat (US Dark North)	Unq	
Rubber (Feb)♥	110.00p	+1.00
Rubber (Mar)♥	110.00p	+1.00
Rubber (KL RSS No1)	411.00m	+8.50
Coconut Oil (Phil)§	$705.0y	-12.5
Palm Oil (Malay.)§	$567.5z	-15.0
Copra (Phil)§	454.0u	-10.0
Soyabeans (US)	217.0	+1.0
Cotton Outlook'A' index	85.90	
Wooltops (64s Super)	440p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. z Jan. u Dec/Jan.♥ w Feb. y Jan/Feb. x Oct/Dec London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week † Prices are for previous day.

JOTTER PAD

CROSSWORD

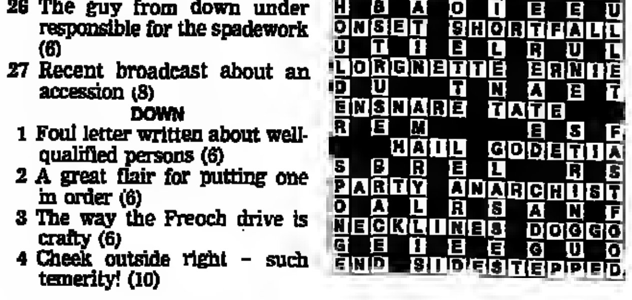
No.8,959 Set by VIXEN



ACROSS
1 Canine language? (3-5)
5 Quietly reckoned with inflation (6)
9 By no means finished trading (8)
10 Stamp out of a beastly joint (6)
11 Phoney's prompt promises to pay debts (8)
12 Middle-man angry to discover it's over (6)
14 Tend to gain converts from blowing up! (10)
16 A measuring device for farm machinery (10)
22 This plant is hard to raise (6)
23 Port may be taken at lunch-time (8)
24 Thrill – but only a little bit (6)
25 Having no catalogue, is not at all interested (8)
26 The guy from down under responsible for the spadework (6)
27 Recent broadcast about an accession (8)

DOWN
1 Foul letter written about well-qualified persons (6)
2 A great flair for putting one in order (6)
3 The way the French drive is crafty (6)
4 Cheek outside right – such temerity! (10)
6 Man of authority at a court assembly (8)
7 Fancy having to do with covering up a bulb (8)
8 The medico's going round the orient – sensible training (8)
13 The firm being without alternative, people will arrange royal ceremony (10)
15 Silly sap! – pried and told (8)
16 According special attention to sound young fish (8)
18 Sort of rare gems found in Cumbria (8)
19 A newspaper leader (6)
20 The glutton takes a long time to finish a bird (6)
21 He acts badly, though really decent (6)

Solution 8,958



INTERNATIONAL CAPITAL MARKETS

Strength in US underpins bullish European tone

By Richard Lapper

Most government bond markets made further gains yesterday, with the strength of the US Treasury market underpinning the bullish tone.

With their currencies benefiting from dollar strength, European high-yielding markets made most progress. Italian 10-year futures traded strongly in London reaching their highest level for more than 18 months.

■ The Italian market was buoyed by the strength of the dollar and the lira against the D-Mark. In addition, the market was helped by reports that Mr Lamberto Dini's tenure as prime minister could extend for a much longer period than was originally envisaged.

"The markets think any technocrat government will survive for the next few months and for at least as long as Italy holds the presidency of the European Union," said Mr Kirit Shah, bond strategist at First Chicago.

The 10-year future settled at Liffe at 109.89, up 0.97 on having earlier in the day broken through 110 for the first time since the first half of 1994.

GOVERNMENT BONDS

In the cash market 10-year yield spreads over Germany came down to 463 basis points, a reduction of 13 basis points on the day and more than 50 basis points over the past fortnight.

Analysts and dealers reported increased interest by US investors, including hedge funds. Mr Grahem Meharg, floor manager for Crédit Lyonnais Rouse at Liffe, reported a "flush of people trying to get into the spread" and "relatively solid buying throughout the day".

Mr Graham McDevitt, senior bond strategist at Paribas Capital Markets, said there were indications of a structural reweighting of portfolios by foreign investors.

Mr McDevitt says that the 10-year yield spread could fall to as low as 425 basis points or even 400 basis points over Germany. "Market makers and big US houses strategically see Italy as cheap," he argues.

Mr Shah, meanwhile, is advising investors to take profits at current levels arguing that that 10-year spreads are unlikely to fall below 450 basis points.

Mr Shah's preferred investment is Spain, whose 10-year bonds also performed strongly yesterday. The Spanish 10-year yield spread over Germany narrowed to 351, a reduction of 7 basis points on the day.

Sweden also gained ground on Germany, with the yield spread between the two countries' 10-year paper falling by 5 basis points to 228.

■ Hit by political worries and concern over money supply figures earlier in the week, gilts recovered some ground yesterday. As with the high-yielders this was largely on the back of currency factors with sterling gaining against the D-Mark.

At Liffe the March long gilt settled at 110$\frac{27}{32}$, up nearly three quarters of a point, while in the cash market the 10-year spread over Germany narrowed by 6 basis points to 160.

Short sterling lost some ground, with the March contract closing at 93.75, down 0.07.

■ Helped by a positive response to the Bundesbank's latest auction – of DM15bn 10-year paper – and the strength of the US market, German bonds made further gains.

At Liffe the March 10-year futures contract closed at 99.91, up 0.25. The French market too was helped by a satisfactory auction, although OATs underperformed Germany, with the 10-year yield spread widening by 3 basis points to 64.

■ Strength in the dollar helped US Treasury prices move higher in early trading yesterday in spite of increasing uncertainty about the prospects for a deficit-cutting budget package.

By midday, the benchmark 30-year Treasury bond was up ½ at 112$\frac{31}{32}$ to yield 5.935 per cent, while at the short end the two-year note rose $\frac{1}{32}$ at 100$\frac{3}{32}$ to yield 5.133.

The dollar continued its recent rally yesterday, rising to its highest level against the Japanese yen since early April 1994 and also gaining on the D-Mark. In early trading the US currency was changing hands for Y106.40 and DM1.4565, compared with Y104.90 and DM 1.446 late on Wednesday.

A strong dollar benefits the bond market by encouraging foreign investors to hold US securities.

News from Washington – where Congressional Democrats and the White House continued to debate with Republican leaders how to balance the budget, was mixed.

Negotiating sessions continued between the two sides, but several members of Congress made negative comments about the possibility of reaching an agreement any time soon. The government had been partially closed for 21 days because of the lack of a budget deal.

Mr Richard Gephardt, the Democratic leader in the House of Representatives, said he did not know if a budget deal would be possible.

Thai group to raise $128m for railway

By William Barnes in Bangkok

Tanayong, the Thai property developer, has said it will raise $128m through secured debentures – a sign that the financing for its elevated railway in Bangkok is coming together.

Four fifths of the money will be invested in its $1.7bn railway subsidiary, the Bangkok Transit System Co, which is already building a 23km inner-city network before having secured the funding.

The 30-year build-operate-transfer project – signed three years ago – has been troubled by planning delays and worries that an unsubsidised rail system will struggle to make a profit.

The bond issue – dated January 10 – will be split equally between local and foreign institutional investors.

The debentures, with a three-year maturity at an interest rate of 12.75 per cent, are secured on land and buildings worth Bt6.5bn.

The lead underwriter of the local tranche is the Siam City Credit Finance and Securities; Peregrine Fixed Income is lead underwriting the overseas portion.

Mr Olarn Chaipravat, president of the Siam Commercial Bank, Tanayong's main banker, said a few days ago that a Bt30bn loan agreement will be signed later this month.

Mr Olarn explained that Bt12bn will come from local financial institutions, Bt13.75bn from the German Exim bank, Bt1.25bn from the International Finance Corporation, and Bt3bn from other domestic lenders.

Equity shareholders are expected to be asked to supply the remaining Bt12.5bn for the Bt42.5bn cost of the project.

The Siam Commercial Bank has stipulated that Tanayong must reduce its stake in its BTSC subsidiary from 100 per cent to 35 per cent to eliminate doubts about the company's ability to raise equity funding.

Harvard University offering swells flood of new issues

By Antonia Sharpe

A $100m three-year eurobond offering from Harvard University stood out yesterday as new issues continued to flood into the eurobond market.

Apart from a Swiss franc private placement a year ago, this was the first time the famous American university had tapped the eurobond market, said lead manager Merrill Lynch. The university's high name recognition, its stand-alone triple-A rating, and the modest size of the deal meant the bonds were fully distributed yesterday, Merrill said.

The bonds were priced to yield 3 basis points over US Treasuries and the spread tightened in to just 1 basis point once they were freed to trade.

Among the day's other deals, Royal Bank of Scotland (RBS) and Lloyds TSB group, the holding company formed after the recent merger of the two banks, raised £200m each by issuing floating-rate notes (FRNs). The FRN for RBS had a maturity of seven years while the deal for Lloyds was for one year, exchangeable into new one-year notes.

INTERNATIONAL BONDS

Dealers said the RBS deal aroused interest because there had been no supply of paper with such a maturity or from a double-A rated borrower for a long time. Lead manager HSBC, which kept 75 per cent of the offering, said there had been good demand for the bonds yesterday.

By contrast, the FRN for Lloyds TSB was a more structured transaction which gave the borrower the certainty of two-year funding, lead manager SBC Warburg said.

Since the borrower was a holding company and not a bank, the bonds had a risk weighting of 100 per cent which meant they appealed more to corporates and funds which were not concerned with capital adequacy rules.

Dealers expressed some concern at the high volumes of new issuance seen in recent days. They said the market was at risk of becoming saturated because investors were not yet back from their holidays. As a result, even the most attractive deals were taking longer than usual to sell.

They also noted that the fierce competition to win mandates meant that deals were coming to market at aggressive spreads.

Among yesterday's deals, the most hotly-contested was a $200m three-year offering for Landesbank Schleswig-Holstein which was won by BZW. The bonds were priced to yield 10 basis points over Treasuries but the spread widened to about 12 basis points when they started to trade.

● Moody's, the credit rating agency, has placed the double-A2 sovereign ceiling for foreign currency debt of New Zealand on review for a possible upgrade. Moody's said the move reflected the successful restructuring of the country's economy and the improvement in its creditworthiness.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Landesbank Schleswig-Holstein	200	5.375	100.02R	Feb.1999	0.20R	+10(5⅛%-99)	Barclays de Zoete Wedd
Harvard University	100	5.25	99.845R	Jan.1999	0.1875R	+3(5⅛%-98)	Merrill Lynch International
D-MARKS							
Republic of Argentina	500	10.25	99.50R	Feb.2003	1.25R	+473(7⅛%-02)	CSFB-Effectenbank
JP Morgan & Co.	300	4.825	99.593R	Feb.2000	0.25R	+14(7%-00)	JP Morgan
SLFA	100	5.25	97.85	Jan.2004	2.375	-	Commerzbank
YEN							
Creditanstalt-Bankverein‡	10bn	(a)	100.50	Mar.2021	0.50	-	Nikko Europe
Mitsubishi Corp.Fin.(b)	10bn	3.05	100.325	Jan.2006	0.325	-	Nikko Europe
STERLING							
Royal Bank of Scotland§	200	(c)	99.992R	Jan.2003	0.20R	-	HSBC Markets
Lloyds TSB Group(d)§	200	(d1)	99.964R	Jan.1997	0.025R	-	SBC Warburg
GUILDERS							
Nelabo International Finance	300	5.875	98.41R	Feb.2004	0.30R	+19(7¼%-04)	Rabobank Nederland
LUXEMBOURG FRANCS							
Cregem International Bank†	2bn	5.625	101.875	Jun.2001	1.875	-	BIL

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ‡Unlisted. § Floating-rate note. R: fixed re-offer price; fees shown at re-offer level. a) 8.5% in A$, DM or US$. b) Callable on 10/4/98 at par. Short 1st & 2nd coupons. c) 3-mth Libor +¼%. d) Exchangeable at option of issuer in Nov 97 into new 1-yr notes paying up to 3-mth Libor +¼%. If margin is less than ¼% investors can choose to be repaid at par. New notes are callable on coupon dates at par. d1) 3-mth Libor -⅛%. † Long 1st coupon.

Czechs toughen stance on investment funds

By Jeff Lovitt in Prague

The Czech cabinet passed a draft amendment to the law on investment funds, which will introduce new obligations for funds to disclose their shareholdings and fines of up to Kč10m for those who do not abide by the rules.

The amendment, proposed by Mr Ivan Kocarnik, the finance minister, also provides for the inauguration of "management funds" that would be able to acquire majority stakes in Czech companies.

Current investment funds are restricted by a 20 per cent limit on holdings in any one company, but under the new legislation such funds, created after the Czech government's coupon privatisation programme, could elect to become managerial funds.

The measures, clearly designed to increase confidence in the market after the recent market raiding by Motoinvest and Plzenska Banka, were welcomed as "very positive" by Mr Peter Mayer, vice president for CS First Boston in Prague.

Citing the takeover of paper company Sepap by Stratton Investments, Mr Mayer said that "hitherto it has been a a race amongst funds to accumulate – the name of the game is 51 per cent".

The draft would for the first time allow investment companies to manage the assets of pension funds.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		10.000	02/06	112.7800	-0.080	8.12	8.48	8.44
Austria		8.500	11/05	101.4500	-0.050	6.29	6.39	8.75
Belgium		6.500	03/05	99.0500	-0.290	6.64	6.72	6.81
Canada *		8.750	12/05	112.8400	-0.890	6.96	7.11	7.45
Denmark		8.000	03/06	106.1600	+0.280	7.12	7.27	7.51
France	BTAN	7.750	04/00	107.8250	-0.250	5.68	5.90	8.12
	OAT	7.750	10/05	108.1400	+0.090	6.60	6.66	6.98
Germany Bund		6.500	10/05	103.8200	+0.280	5.95	6.05	6.30
Ireland		8.250	10/04	92.8500	+0.600	7.36	7.59	7.66
Italy		10.500	09/05	101.0000	+0.710	10.33†	10.59	11.32
Japan	No 129	6.400	03/00	117.7470	-0.560	1.84	1.70	1.31
	No 174	4.600	09/04	110.7240	-1.080	3.04	2.93	2.69
Netherlands		8.750	11/05	105.8800	+0.240	5.84	6.06	6.34
Portugal		11.875	02/05	113.3000	+0.300	9.61	9.84	10.48
Spain		10.150	01/06	102.9400	-0.110	9.46	9.69	10.39
Sweden		6.000	02/05	86.1030	-0.510	8.23	8.54	8.84
UK Gilts		8.000	12/00	104-23	+16/32	6.85	6.77	7.09
		8.500	12/05	107-15	+20/32	7.42	7.40	7.70
		9.000	10/08	111-18	+21/32	7.58	7.58	7.83
US Treasury *		5.875	11/05	102-13	+7/32	5.55	5.65	5.96
		6.875	08/25	112-31	+12/32	5.94	6.01	6.29
ECU (French Govt)		7.500	04/05	104.2500	+0.160	6.86	7.00	7.34

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	5.17	Two year	5.13
Prime rate	8½	Two month	5.17	Three year	5.18
Broker loan rate	7¾	Three month	5.18	Five year	5.31
Fed funds	5¼	Six month	5.19	10-year	5.54
Fed funds at intervention	-	One year	5.14	30-year	5.93

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	120.64	120.84	+0.04	120.94	120.48	157,003	113,812
Jun	121.04	121.22	+0.02	121.26	120.88	258	5,725
Sep	120.00	120.18	-0.02	120.00	120.00	2	715

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Feb	CALLS Mar	CALLS Jun	PUTS Feb	PUTS Mar	PUTS Jun
118	-	3.03	-	0.06	0.24	0.58
119	-	2.23	-	0.11	0.41	-
120	1.10	1.52	-	0.27	0.66	-
121	0.50	0.95	1.76	0.69	1.07	-
122	0.15	0.52	1.24	-	-	-

Est. vol total, Calls 13,140 Puts 11,006. Previous day's open int., Calls 116,861 Puts 115,546.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	99.73	99.91	+0.25	99.95	99.55	124319	209760
Jun	98.86	99.22	+0.24	99.15	98.88	65	2064

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Feb	CALLS Mar	CALLS Apr	CALLS Jun	PUTS Feb	PUTS Mar	PUTS Apr	PUTS Jun
9950	0.70	0.99	0.83	1.18	0.29	0.58	1.11	1.44
10000	0.40	0.71	0.62	0.93	0.49	0.80	1.40	1.71
10050	0.20	0.50	0.45	0.74	0.79	1.09	1.73	2.02

Est. vol. total, Calls 19879 Puts 6810. Previous day's open int., Calls 158723 Puts 137886

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	109.01	109.89	+0.97	110.10	108.80	45428	55248
Jun	108.20	109.39	+0.97	109.42	109.20	54	1392

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Mar	CALLS Jun	PUTS Mar	PUTS Jun
10950	1.74	2.49	1.35	2.60
11000	1.48	2.26	1.57	2.88
11050	1.21	2.05	1.82	3.16

Est. vol. total, Calls 3375 Puts 2177. Previous day's open int., Calls 48684 Puts 32851

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	96.43	87.06	+0.82	97.27	96.32	82,456	47,456

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	110-05	110-27	+0-22	111-05	110-01	57993	134971
Jun		110-09	+0-22			0	0

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS Feb	CALLS Mar	CALLS Apr	CALLS Jun	PUTS Feb	PUTS Mar	PUTS Apr	PUTS Jun
110	1-18	1-46	1-48	2-14	0-28	0-56	1-28	1-60
111	0-45	1-10	1-16	1-50	0-55	1-20	1-62	2-32
112	0-20	0-46	0-55	1-25	1-30	1-56	2-37	3-07

Est. vol. total, Calls 1545 Puts 650. Previous day's open int., Calls 17404 Puts 16405

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	90.74	91.04	+0.18	91.06	90.66	2,189	6,152

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	121-16	121-29	+0-17	122-04	121-15	260,120	378,245
Jun	121-12	121-17	+0-12	121-23	121-12	3,357	15,386
Sep	-	120-18	-	-	-	1,095	5,978

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Mar	118.65			118.76	118.25	2820	0
Jun	117.23			117.31	116.90	226	0

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Thu Jan 4	Day's change %	Wed Jan 3	Accrued interest	xd adj. ytd		Low coupon yield Jan 4	Jan 3	Yr. ago	Medium coupon yield Jan 4	Jan 3	Yr. ago	High coupon yield Jan 4	Jan 3	Yr. ago
1 Up to 5 years (22)	123.04	+0.22	122.77	2.02	0.12	5 yrs	6.91	7.01	8.69	6.94	7.04	8.69	7.00	7.11	8.89
2 5-15 years (21)	150.67	+0.56	149.83	2.01	0.00	15 yrs	7.63	7.70	8.58	7.67	7.74	8.71	7.76	7.83	8.93
3 Over 15 years (9)	166.87	+0.59	165.88	1.71	1.02	20 yrs	7.73	7.78	8.54	7.77	7.82	8.71	7.82	7.88	8.86
4 Irredeemables (6)	191.82	+0.63	190.83	1.39	0.00	Irred.†	7.84	7.89	8.59						
5 All stocks (57)	145.14	+0.46	144.48	2.00	0.21										

Index-linked							Inflation 5% Jan 4	Jan 3	Yr. ago	Inflation 10% Jan 4	Jan 3	Yr. ago
6 Up to 5 years (1)	197.03	+0.09	196.85	1.70	0.00	Up to 5 yrs	2.42	2.46	4.14	1.24	1.27	2.91
7 Over 5 years (11)	189.33	+0.18	188.98	0.82	0.00	Over 5 yrs	3.50	3.51	3.89	3.31	3.32	3.71
8 All stocks (12)	189.37	+0.18	189.02	0.84	0.00							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Jan 4	Jan 3	Jan 2	Dec 29	Dec 28	Yr ago	High*	Low*
Govt. Secs. (UK)	95.64	95.28	95.52	95.84	95.82	90.81	98.22	90.22
Fixed Interest	114.78	114.28	114.62	114.75	114.68	108.35	115.04	108.77

*for 1995/96. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Jan 3	Jan 2	Dec 29	Dec 28	Dec 27
Gilt Edged bargains	76.9	71.7	26.8	45.6	45.0
5-day average	53.6	48.7	47.8	57.1	66.1

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on January 4

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 5 97	1000	99½	99⅝		5.46
Abbey Natl Treasury 6½ 00	1000	100¾	103	+⅛	6.02
ABN Amro Bank 7¼ 05	1000	107½	107¾	+⅛	6.26
African Dev Bk 7¼ 23	000	108⅛	108¾	+⅛	6.71
Alberta Province 7⅝ 98	1000	105½	105¾		5.47
Asian Dev Bank 6¼ 05	750	103	103¼	+⅛	5.93
Austria 8½ 00	400	110⅛	110⅜	+⅛	5.84
[illegible]					
Sweden 6 97	2500	107	107⅜		3.96
United Kingdom 7⅛ 97	5500	105⅛	105⅜		3.85
Volkswagen Intl Fin 7 00	1000	104⅞	105	+⅛	8.15
World Bank 0 15	2000	29½	29⅞		6.31
World Bank 5⅞ 03	8000	100⅝	100¾	-⅛	5.77
SWISS FRANC STRAIGHTS					
Asian Dev Bank 0 16	500	98	38¼	+¼	4.93
[illegible]					
Abbey Natl Treasury 8 00 £	1000	101⅞	101⅝	+⅛	7.73
Alliance Leics 11⅞ 97 £	100	105¾	106⅛		6.69
British Land 8⅞ 23 £	150	95⅛	95⅝	+1⅛	9.59
Denmark 6¾ 98 £	000	99⅞	100⅛	+⅛	6.78
EIB 8 00 £	1000	100¾	102⅞	+⅛	7.49
Halifax 10⅜ 97 £	100	104	104⅜		6.65
Hanson 10⅜ 97 £	600	105¾	106	+⅛	6.83
HSBC Holdings 11.69 00 £	153	117⅛	117⅜	+⅛	8.17
[illegible]					

[illegible]

UK GILTS PRICES

	Notes	Yield Int	Yield Red	Price £	+ or -	52 week High	52 week Low
Shorts* (Lives up to Five Years)							
Treas 14pc 1996		13.92	-	100⅛xd	-	106⅞	100⅜
15¼pc 1996‡‡		14.82	6.75	102⅞	-	109⅝	102⅞
Exch 13¼pc 1996‡‡		12.93	6.24	102⅜	-	107⅛	102⅜
Conversion 10pc 1996		9.70	6.14	103⅛	-	104⅜	103
Treas 13¼pc 1997‡‡		12.38	6.14	107⅛xd		109⅜	107⅛
Exch 10½pc 1997		10.04	6.18	104⅞		105⅜	104⅛
Treas Cnv 7pc 1997‡‡		6.93	6.23	101⅛	+⅛	101⅞	97⅛
[illegible]							

	Notes	Yield Int	Yield Red	Price £	+ or -	52 week High	52 week Low
Treas 12½pc 2003-5		9.59	7.37	130⅛	+⅛	130⅜	119⅜
Treas 8½pc 2005‡‡		7.91	7.41	107⅛	+⅛	108⅛	97⅛
7½pc 2006‡‡		7.46	7.43	100⅛	+⅛	101⅛	94⅜
11¾pc 2003-7‡‡		7.59	7.47	102⅛	+⅜	102½	92⅛
8pc 2002-6‡‡		7.75	7.55	103⅛	+⅛	104⅛	93⅛
Treas 11¾pc 2003-7		9.41	7.32	124⅛xd	+⅛	124⅛	113⅛
Treas 8½pc 2007‡‡		7.90	7.51	107⅛xd	+⅛	108⅛	97⅛
[illegible]							

	Notes	Yield (1)	Yield (2)	Price £	+ or -	52 week High	52 week Low
Index-Linked (b)							
2pc '96	(67.9)	-	1.59	213⅜	+⅛	215⅜	201⅛
4⅝pc '98‡‡	(135.6)	1.34	2.42	112⅜	+⅛	112⅜	106⅛
2½pc '01	(78.3)	2.76	3.25	179⅛	+⅛	179⅛	165⅜
2½pc '03	(78.8)	2.98	3.35	175	+⅛	175	161⅜
4⅜pc '04‡‡	(135.6)	2.99	3.34	115⅜	+⅛	115⅜	106⅛
2pc '06	(69.5)	3.12	3.39	184⅛xd	+⅛	184⅛	169⅛
2½pc '09	(78.8)	3.21	3.44	166⅝	+⅛	166⅞	152⅛
[illegible]							

[illegible]

Other Fixed Interest

[illegible]

CURRENCIES AND MONEY

MARKETS REPORT

Dollar soars to 22 month high against the yen

By Philip Gawith

The dollar yesterday continued its new year surge, rallying to its highest level since March 1994 against the yen, lending credence to the view that the dollar always rallies in January.

The dollar climbed above Y106 and also made progress against the D-Mark, rising above DM1.45 on heightened speculation that some sort of US budget deal was imminent.

The market mood on the dollar is predominantly bullish, though analysts caution that the recent rally, which saw the dollar break above the 1995 high of Y104.70 yesterday, is still more a case of yen weakness than an outright dollar rally.

The dollar finished in London at Y106.1, up from Y104.365, and at DM1.4565, from DM1.4403.

Sterling rallied on the dollar's coat-tails, ignoring any political concerns, to finish at DM2.2562 from DM2.234. It closed slightly lower against the dollar at $1.5491, from $1.5511.

In Europe, the recent trend of relative D-Mark weakness was continued. The lira rallied further, to L1,090 from L1,093, as did the Swedish krona, which closed at SKr4.561, from SKr4.579.

■ Given that most analysts are bullish about the outlook for the dollar, the current rally is being greeted with enthusiasm. There is also, however, a predictable measure of caution and scepticism. Mr Chris Tinker, economist at Standard Chartered bank in London, said: "Stay with the trend, but remember that what happens in January is almost invariably wrong for the rest of the year."

Still bearish about the outlook for the dollar is Mr Neil MacKinnon, chief economist at Citibank in London. He said it was "no surprise that dollar bulls have been first to put their toe in the water," but added that there was "every indication that the problems behind yen weakness were turning around." He pointed to the receding financial crisis and stock-market rally.

Mr MacKinnon said: "Much above Y110 is not doable because that is running the risk of increasing trade tensions with the US."

The Citibank analyst said markets were still thin, with most of the yen selling emanating from hedge funds, and many medium/long-term investors content to stay on the sidelines. Mr Klaus Said, head of foreign exchange at JP Morgan in New York, disputed this view: "The market is not thin. Everybody is back, everybody is playing."

Mr Jim O'Neill, chief currency economist at Goldman Sachs, said it was also his impression that volumes were quite heavy, especially in the yen. While warning that the early move in the year often failed to develop into a trend, he added: "With such volume taking place, the trend is a bit more believable."

Mr O'Neill is bullish about the dollar's prospects against the yen. With the downward trend in the trade surplus, and the rally in the Nikkei associated with more capital outflows, he said the fundamentals "could hardly be better." He said he also suspected that the large trend selling of foreign assets by Japanese life insurance companies over the past five years could be coming to an end.

While there is a lot of foreign buying of the Nikkei, this is not helping the yen because much of it is hedged. Historically this was not the case.

Mr O'Neill said that with the dollar already having rallied nearly four per cent against the yen over the past week, he "would not be surprised if things calm down a bit."

He is more cautious about the outlook for the dollar against the D-Mark. "In order to stop this being a yen and a D-Mark cross game, you need some good news on the budget." Many European corporates remain sellers of the dollar, leading analysts to conclude that a sustainable rally against the D-Mark can only emerge when these sales are more than offset by buying interest.

Mr Said said it was premature to get excited about the dollar against the D-Mark, given that it had managed no more than to return to levels reached around December 12/13. "There is nothing particularly new, nothing fundamental." He said there also continued to be a "lot of happy sellers at these levels."

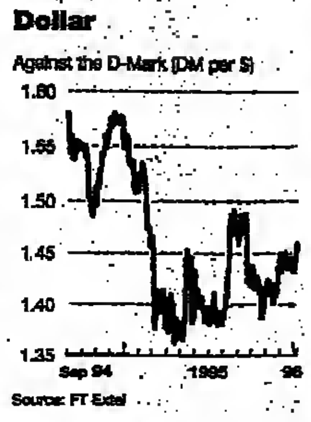
"People have been wanting to buy the dollar for two years, but those with clients who want to buy the dollar also see the selling interest," he said.

■ Pound in New York

Jan 4	—Latest—	— Prev. close —
£ spot	1.5496	1.5515
1 mth	1.5439	1.5503
3 mth	1.5416	1.5479
1 yr	1.5302	1.5369

Dollar

Against the D-Mark (DM per $)



Source: FT Extel

■ OTHER CURRENCIES

Jan 4	£	$
Czech Kr	41.3660 - 41.8056	26.8410 - 26.9510
Hungary	212.854 - 213.165	137.530 - 137.570
Iran	4648.50 - 4648.80	3000.00 - 3000.00
Kuwait	0.4630 - 0.4642	0.2988 - 0.2990
Poland	3.8607 - 3.8698	2.4930 - 2.4960
Russia	7228.42 - 7228.85	4665.00 - 4669.00
UAE	5.6878 - 5.6918	3.6720 - 3.6730

POUND SPOT FORWARD AGAINST THE POUND

Jan 4		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	15.8687	+0.1549	608 - 766	15.8786	15.7594	15.8252	3.3	15.7612	2.2	-	-	106.3
Belgium	(BFr)	46.3708	+0.4427	341 - 075	46.3580	46.0570	46.2658	2.7	46.0658	2.6	45.3658	2.1	108.5
Denmark	(DKr)	8.7235	+0.0777	186 - 283	8.7283	8.6711	8.7119	1.6	8.6945	1.3	8.636	1.0	109.1
Finland	(FM)	6.7686	+0.0656	610 - 985	6.7986	6.7400	6.7644	0.8	6.7763	0.7	-	-	87.0
France	(FFr)	7.7048	+0.0796	015 - 080	7.7092	7.6481	7.6996	0.8	7.6914	0.7	7.645	0.8	110.4
Germany	(DM)	2.2562	+0.0222	551 - 572	2.2572	2.2395	2.2511	2.7	2.2413	2.6	2.1979	2.5	110.8
Greece	(Dr)	370.301	+2.89	006 - 596	370.831	368.181	-	-	-	-	-	-	66.5
Ireland	(I£)	0.9714	+0.0024	705 - 723	0.9723	0.9690	0.9704	1.2	0.9693	0.9	0.9656	0.6	96.0
Italy	(L)	2458.62	+17.86	992 - 122	2462.47	2436.77	2468.07	-4.1	2484.72	-4.2	2567.57	-4.4	71.9
Luxembourg	(LFr)	46.3708	+0.4427	341 - 075	46.4075	46.0570	46.2658	2.7	46.0658	2.5	45.3658	2.1	108.5
Netherlands	(Fl)	2.5260	+0.0237	248 - 272	2.5272	2.5086	2.5201	2.8	2.5097	2.6	2.4657	2.4	108.7
Norway	(NKr)	9.8303	+0.0854	215 - 390	9.8390	9.8183	9.8002	1.2	9.8987	1.3	9.8175	1.1	97.8
Portugal	(Es)	234.511	+2.195	366 - 656	234.656	232.873	234.936	-2.2	235.641	-2.3	-	-	95.2
Spain	(Pta)	189.797	+1.47	704 - 891	189.892	188.469	190.282	-3.1	191.227	-3.0	195.432	-3.0	82.3
Sweden	(SKr)	10.2948	+0.0591	860 - 036	10.3036	10.2374	10.2987	-0.2	10.3003	-0.2	10.3155	-0.2	87.8
Switzerland	(SFr)	1.8226	+0.0222	213 - 238	1.8238	1.8050	1.8153	4.8	1.8017	4.6	1.7437	4.3	115.1
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	84.0
Ecu	-	1.2202	+0.0085	195 - 208	1.2213	1.2134	1.2191	1.1	1.2169	1.1	1.2089	0.9	-
SDR†	-	1.049600	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5488	-0.0021	483 - 493	1.5518	1.5452	-	-	-	-	-	-	-
Brazil	(R$)	1.5059	-0.003	054 - 064	1.5100	1.5026	-	-	-	-	-	-	-
Canada	(C$)	2.0978	-0.0039	968 - 988	2.1046	2.0929	2.0995	-0.7	2.0934	0.8	2.0890	0.5	84.7
Mexico	(New Peso)	11.7186	-0.0485	987 - 375	11.7375	11.7194	-	-	-	-	-	-	-
USA	($)	1.5491	-0.002	486 - 495	1.5522	1.5454	1.548	0.8	1.5456	0.8	1.534	1.0	95.1
Pacific/Middle East/Africa													
Australia	(A$)	2.0763	+0.0016	750 - 776	2.0905	2.0694	2.0778	-0.9	2.0816	-1.0	2.0981	-1.0	87.1
Hong Kong	(HK$)	11.9807	-0.016	784 - 849	12.0055	11.9552	11.9796	0.7	11.9656	0.5	11.930	0.3	-
India	(Rs)	54.6815	+0.0872	346 - 283	54.7630	54.5800	-	-	-	-	-	-	-
Israel	(Shk)	4.8636	+0.0142	597 - 691	4.8681	4.8526	-	-	-	-	-	-	-
Japan	(Y)	164.364	+2.473	230 - 479	164.830	162.210	163.516	6.1	162.014	5.7	155.674	5.3	136.4
Malaysia	(M$)	3.9656	+0.0151	636 - 675	3.9713	3.9601	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.3641	-0.0093	621 - 660	2.3708	2.3605	2.367	-1.5	2.374	-1.7	2.3932	-1.4	107.7
Philippines	(Peso)	40.6318	-0.0393	893 - 744	40.6744	40.5888	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.8097	-0.0077	077 - 117	5.8214	5.7985	-	-	-	-	-	-	-
Singapore	(S$)	2.2164	+0.0155	150 - 178	2.2178	2.1918	-	-	-	-	-	-	-
South Africa	(R)	5.6250	-0.0051	222 - 278	5.6358	5.6137	-	-	-	-	-	-	-
South Korea	(Won)	1219.41	+11.98	890 - 992	1221.74	1206.80	-	-	-	-	-	-	-
Taiwan	(T$)	42.3324	+0.0354	170 - 478	42.4077	42.2358	-	-	-	-	-	-	-
Thailand	(Bt)	38.1445	+0.0257	176 - 714	38.1810	38.0630	-	-	-	-	-	-	-

† Rates for Jan 3. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jan 4		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P. Morgan Index
Europe													
Austria	(Sch)	10.2442	+0.1136	420 - 463	10.2463	10.1600	10.2287	1.8	10.2027	1.6	10.0992	1.4	106.3
Belgium	(BFr)	29.9350	+0.325	200 - 500	29.9520	29.7000	29.883	2.1	29.795	1.9	29.49	1.5	108.3
Denmark	(DKr)	5.6315	+0.0575	300 - 330	5.6350	5.5891	5.6277	0.8	5.6215	0.7	5.609	-0.1	108.5
Finland	(FM)	4.3825	+0.0481	785 - 865	4.3865	4.3450	4.3776	1.4	4.3689	1.3	4.3401	1.0	86.4
France	(FFr)	4.9738	+0.0578	732 - 745	4.9765	4.9315	4.9771	-0.8	4.9815	-0.6	4.9579	0.3	110.3
Germany	(DM)	1.4565	+0.0182	562 - 567	1.4575	1.4445	1.4543	1.8	1.4499	1.8	1.4322	1.7	110.3
Greece	(Dr)	239.050	+2.05	800 - 300	239.400	237.410	240.775	-8.7	243.675	-8.2	257.45	-7.7	65.8
Ireland	(I£)	1.5947	-0.006	937 - 957	1.6011	1.5905	1.5952	-0.3	1.5958	-0.3	1.5917	0.2	-
Italy	(L)	1587.15	+13.55	725 - 840	1589.30	1572.35	1594.85	-5.2	1606.75	-4.8	1654.85	-4.3	71.5
Luxembourg	(LFr)	29.9350	+0.325	200 - 500	29.9520	29.7000	29.883	2.1	29.795	1.8	29.49	1.5	108.3
Netherlands	(Fl)	1.6307	+0.0174	304 - 310	1.6314	1.6169	1.6276	2.2	1.6223	2.0	1.6024	1.7	108.2
Norway	(NKr)	6.3459	+0.0595	428 - 490	6.3490	6.2985	6.3458	0.0	6.3401	0.4	6.3631	0.4	97.2
Portugal	(Es)	151.390	+1.815	340 - 440	151.440	150.180	151.765	-3.0	152.535	-3.0	156.14	-3.1	95.4
Spain	(Pta)	122.525	+1.11	500 - 550	122.590	121.430	122.82	-3.9	123.655	-3.7	127.145	-3.8	82.0
Sweden	(SKr)	6.6459	+0.0684	421 - 496	6.6474	6.6065	6.665	-3.1	6.6624	-2.6	6.8299	-2.8	87.0
Switzerland	(SFr)	1.1766	+0.0159	761 - 770	1.1770	1.1635	1.173	3.7	1.1663	3.5	1.1379	3.3	115.2
UK	(£)	1.5491	-0.002	486 - 495	1.5522	1.5454	1.548	0.8	1.5456	0.8	1.534	1.0	82.9
Ecu	-	1.2698	-0.0105	692 - 699	1.2786	1.2657	1.2699	-0.3	1.2703	-0.2	1.2709	-0.1	-
SDR†	-	0.67480	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	-	998 - 999	0.9999	0.9995	-	-	-	-	-	-	-
Brazil	(R$)	0.9722	-0.0006	721 - 722	0.9728	0.9721	-	-	-	-	-	-	-
Canada	(C$)	1.3543	-0.0007	540 - 545	1.3565	1.3515	1.3545	-0.1	1.3546	-0.1	1.3596	-0.4	83.6
Mexico	(New Peso)	7.5650	-0.02	550 - 750	7.5750	7.5550	7.5673	-0.4	7.5705	-0.3	7.5753	-0.1	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	95.1
Pacific/Middle East/Africa													
Australia	(A$)	1.3403	+0.0029	399 - 408	1.3408	1.3488	1.3423	-1.8	1.3458	-1.6	1.3645	-1.8	87.7
Hong Kong	(HK$)	7.7342	-0.0001	337 - 347	7.7395	7.7337	7.7348	-0.1	7.7357	-0.1	7.7637	-0.4	-
India	(Rs)	35.3000	+0.09	800 - 200	35.3400	35.2200	35.45	-5.1	35.795	-5.5	37.225	-5.5	-
Israel	(Shk)	3.1400	+0.0134	375 - 424	3.1449	3.1301	-	-	-	-	-	-	-
Japan	(Y)	106.100	+1.735	050 - 150	106.300	104.640	105.635	5.3	104.775	5.0	101.345	4.5	138.3
Malaysia	(M$)	2.5600	+0.0131	595 - 605	2.5605	2.5478	2.5609	-0.4	2.567	-1.1	2.5905	-1.2	-
New Zealand	(NZ$)	1.5260	-0.0004	253 - 270	1.5274	1.5274	1.5291	-2.4	1.5349	-2.3	1.5595	-2.2	-
Philippines	(Peso)	26.2300	+0.01	100 - 500	26.2500	26.2100	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7505	-	503 - 507	3.7507	3.7503	3.751	-0.1	3.7517	-0.1	3.755	-0.1	-
Singapore	(S$)	1.4308	+0.0119	303 - 313	1.4313	1.4131	1.4273	3.0	1.4213	2.7	1.3958	2.4	-
South Africa	(R)	3.6313	+0.0015	305 - 320	3.8386	3.6275	3.6588	-9.2	3.7104	-8.7	3.9528	-8.8	-
South Korea	(Won)	787.200	+8.75	100 - 300	787.900	777.980	790.2	-4.8	793.7	-3.3	812.2	-3.2	-
Taiwan	(T$)	27.3280	+0.059	260 - 300	27.3300	27.3000	27.348	-0.9	27.388	-0.9	-	-	-
Thailand	(Bt)	25.2700	+0.06	600 - 800	25.2650	25.2400	25.3687	-4.7	25.5725	-4.8	26.455	-4.7	-

† SDR rate per $ for Jan 3. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Jan 3: Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

January 4	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	3¼	3¾	3¾	3⅞	3¾	7.00	3.00	-
week ago	3⅞	3⅝	3⅝	3⅝	3⅝	7.00	3.00	-
France	4⅜	4⅝	4⅜	4⅜	4⅜	4.45	-	5.85
week ago	4⅝	4⅝	4⅝	5⅛	5⅛	4.45	-	5.85
Germany	3⅝	3⅞	3¾	3⅝	3⅝	5.00	3.00	3.75
week ago	4⅛	3⅞	3⅞	3⅝	3⅝	5.00	3.00	3.75
Ireland	5⅝	5⅝	5⅝	5⅝	5⅝	-	-	6.25
week ago	5¼	5⅝	5⅝	5⅝	5⅝	-	-	6.25
Italy	10⅛	10⅝	10⅛	10⅛	10	-	9.00	10.48
week ago	10⅝	10⅝	10⅝	10⅛	10⅛	-	9.00	10.50
Netherlands	3⅝	3⅞	3¾	3⅝	3⅝	-	3.00	3.40
week ago	4	3⅞	3¾	3⅝	3⅝	-	3.50	3.40
Switzerland	1⅛	1⅝	1⅝	1⅝	1⅝	5.00	1.50	-
week ago	1⅝	1⅝	1⅝	1⅝	1⅝	5.00	2.00	-
US	5⅝	5⅝	5⅜	5⅛	5⅛	-	5.25	-
week ago	5⅝	5⅝	5⅝	5⅜	5⅛	-	5.25	-
Japan	⅝	⅝	⅝	⅝	⅝	-	0.50	-
week ago	⅝	⅝	⅝	⅝	⅝	-	0.50	-
■ $ LIBOR FT London Interbank Fixing	-	5⅝	5⅝	5⅜	5⅛	-	-	-
week ago	-	5⅝	5⅝	5⅜	5¼	-	-	-
US Dollar CDs	-	5.40	5.32	5.26	5.14	-	-	-
week ago	-	5.40	5.35	5.25	5.20	-	-	-
ECU Linked Ds	-	5⅛	5⅛	5⅛	5⅛	-	-	-
week ago	-	5⅛	5⅛	5⅛	5⅛	-	-	-
SDR Linked Ds	-	3⅞	3⅞	3⅞	3⅞	-	-	-
week ago	-	3⅞	3⅞	3⅞	3⅞	-	-	-

§ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.

Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Jan 4	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D-Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate (FFr5m)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	95.15	95.15	-0.03	95.18	95.10	32,176	50,393
Jun	95.34	95.36	-0.05	95.37	95.30	7,301	45,576
Sep	95.40	95.43	+0.01	95.44	95.38	6,861	31,413

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.46	96.46	-	96.48	96.44	15512	190774
Jun	96.55	96.56	-	96.57	96.53	16184	139693
Sep	96.55	96.56	+0.01	96.58	96.53	13326	115837
Dec	96.42	96.43	-	96.44	96.40	12882	114880

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	90.25	90.28	+0.03	90.30	90.22	8647	46131
Jun	90.68	90.69	+0.04	90.71	90.63	2701	25408
Sep	90.77	90.82	+0.06	90.83	90.77	806	13501
Dec	90.77	90.81	+0.06	90.83	90.77	289	8857

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	98.25	98.26	+0.02	98.31	98.25	4788	22964
Jun	98.33	98.36	+0.01	98.38	98.33	2779	13560
Sep	98.30	98.29	-0.01	98.32	98.29	926	6581
Dec	98.09	98.10	-	98.13	98.09	517	837

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	95.07	95.10	+0.01	95.10	95.07	1131	8994
Jun	95.17	95.22	+0.03	95.22	95.16	717	4483
Sep	95.19	95.23	+0.03	95.24	95.18	82	2376
Dec	95.08	95.14	+0.03	95.14	95.08	352	1929

* LIFFE futures also traded on APT

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Mar	Jun	Sep	PUTS Mar	Jun	Sep
9025	0.31	0.70	0.95	0.28	0.26	0.38
9050	0.19	0.54	0.79	0.41	0.35	0.47
9075	0.11	0.41	0.64	0.58	0.47	0.57

Est. vol. total, Calls 750 Puts 100. Previous day's open int., Calls 9116 Puts 4841

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Jan 4		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.81	16.61	4.865	2.094	5303	5.447	21.41	505.7	409.3	22.19	3.931	2.157	4.524	3.341	354.5	2.631
Denmark	(DKr)	53.18	10	8.832	2.588	1.113	2819	2.896	11.38	268.6	217.6	11.80	2.090	1.146	2.405	1.776	188.4	1.399
France	(FFr)	60.19	11.32	10	2.928	1.260	3192	3.279	12.89	304.4	246.4	13.36	2.366	1.298	2.723	2.011	213.3	1.584
Germany	(DM)	20.55	3.867	3.415	1	0.430	1090	1.120	4.402	103.9	84.13	4.561	0.808	0.443	0.930	0.687	72.83	0.541
Ireland	(I£)	47.75	8.984	7.934	2.323	1	2532	2.601	10.23	241.5	195.5	10.60	1.877	1.030	2.161	1.595	169.2	1.256
Italy	(L)	1.886	0.355	0.313	0.092	0.039	100.	0.103	0.404	9.536	7.719	0.418	0.074	0.041	0.085	0.063	6.682	0.050
Netherlands	(Fl)	18.36	3.453	3.050	0.893	0.384	973.5	1	3.931	92.83	75.14	4.074	0.722	0.396	0.831	0.613	65.04	0.483
Norway	(NKr)	46.70	8.784	7.758	2.272	0.978	2476	2.544	10	236.2	191.1	10.36	1.836	1.007	2.113	1.560	165.5	1.229
Portugal	(Es)	18.77	3.720	3.285	0.962	0.414	1049	1.077	4.235	100.	80.94	4.388	0.777	0.426	0.895	0.661	70.06	0.520
Spain	(Pta)	24.43	4.596	4.059	1.189	0.512	1296	1.331	5.232	123.6	100.	5.421	0.960	0.527	1.105	0.816	86.56	0.643
Sweden	(SKr)	45.06	8.477	7.487	2.192	0.944	2390	2.455	9.650	227.8	184.5	10	1.772	0.972	2.039	1.505	159.7	1.186
Switzerland	(SFr)	25.44	4.785	4.226	1.238	0.533	1349	1.386	5.447	128.6	104.1	5.645	1	0.549	1.151	0.850	90.13	0.669
UK	(£)	46.37	8.723	7.704	2.256	0.971	2459	2.526	9.930	234.5	189.8	10.29	1.823	1	2.098	1.549	164.3	1.220
Canada	(C$)	22.10	4.158	3.672	1.075	0.463	1172	1.204	4.733	111.8	90.47	4.905	0.869	0.477	1	0.738	78.31	0.582
US	($)	29.94	5.631	4.974	1.456	0.627	1587	1.631	6.411	151.4	122.5	6.643	1.177	0.646	1.354	1	106.1	0.788
Japan	(Y)	28.22	5.309	4.689	1.373	0.591	1497	1.537	6.044	142.7	115.5	6.263	1.110	0.609	1.277	0.943	100.	0.743
Ecu		38.01	7.150	6.315	1.849	0.796	2016	2.070	8.139	192.2	155.6	8.434	1.494	0.820	1.720	1.270	134.7	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.6936	0.6891	-0.0050	0.6943	0.6882	25,754	52,984
Jun	0.6953	0.6928	-0.0044	0.6953	0.6915	436	2,854
Sep	-	0.7001	-	-	-	402	1,417

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.9645	0.9513	-0.0122	0.9652	0.9499	20,812	73,207
Jun	0.9696	0.9630	-0.0121	0.9696	0.9610	888	2,417
Sep	-	0.9776	-0.0082	-	0.9778	17	312

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.8651	0.8572	-0.0078	0.8657	0.8550	12,461	38,287
Jun	0.8687	0.8648	-0.0080	0.8687	0.8625	29	1,005
Sep	-	0.8725	-0.0076	-	0.8725	7	92

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	1.5490	1.5450	-0.0040	1.5490	1.5428	6,044	28,421
Jun	-	1.5410	-0.0042	-	1.5390	3	39
Sep	-	1.5350	-0.0062	-	1.5350	1	5

UK INTEREST RATES

LONDON MONEY RATES

Jan 4	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6⅝ - 5	6 5/16 - 6⅛	6 5/16 - 6⅜	6 5/16 - 6 7/16	6 7/16 - 6 3/16	6 7/16 - 6 5/16
Sterling CDs	-	-	6½ - 6 7/16	6 13/32 - 6 13/32	6 11/32 - 6 9/32	6 5/16 - 6¼
Treasury Bills	-	-	6⅜ - 6 5/16	6¼ - 6 3/16	-	-
Bank Bills	-	-	6 13/32 - 6 11/32	6 11/32 - 6 9/32	6 3/16 - 6⅛	-
Local authority deps.	6 7/16 - 6 5/16	6 7/16 - 6 5/16	6 9/16 - 6 7/16	6 9/16 - 6 7/16	6 7/16 - 6 5/16	6 7/16 - 6 5/16
Discount Market deps	6½ - 6	6½ - 6⅜	-	-	-	-

UK clearing bank base lending rate 6½ per cent from December 13, 1995

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1¼pc. Ave. tender rate of discount 6.2159pc. ECGD fixed rate Stlg. Export Finance. Make up day Dec 29, 1995. Agreed rate for period Jan 24, 1995 to Feb 25, 1996, Schemes II & III 7.82pc. Reference rate for period Dec 1, 1995 to Dec 29, 1995, Schemes IV & V 6.552pc. Finance House Base Rate 7pc from January 1, 1995

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.69	93.74	+0.06	93.75	93.68	17742	90888
Jun	93.76	93.84	+0.09	93.86	93.76	22563	56863
Sep	93.74	93.83	+0.10	93.85	93.74	12181	51581
Dec	93.90	93.69	+0.11	93.70	93.60	7705	39581
Mar	93.41	93.48	+0.12	93.50	93.40	4149	29764

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Mar	Jun	Sep	PUTS Mar	Jun	Sep
9350	0.26	0.46	0.55	0.04	0.12	0.22
9375	0.12	0.29	0.40	0.13	0.20	0.32
9400	0.03	0.17	0.27	0.29	0.33	0.44

Est. vol. total, Calls 5132 Puts 5105. Previous day's open int., Calls 105579 Puts 89442

EMS EUROPEAN CURRENCY UNIT RATES

Jan 4	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Spain	162.493	158.917	-0.082	-2.20	5.38	15
Netherlands	2.15214	2.11524	+0.00216	-1.71	4.86	13
Belgium	39.3960	38.8297	+0.0274	-1.44	4.55	11
Austria	13.4383	13.2894	+0.0122	-1.11	4.21	5
Germany	1.91007	1.88943	+0.00203	-1.08	4.16	11
Portugal	195.792	196.335	-0.024	0.28	2.77	-2
Denmark	7.28580	7.30961	+0.00484	0.33	2.72	-2
France	6.40608	6.44792	+0.00263	0.65	2.38	-5
Ireland	0.792214	0.816444	-0.002421	3.06	0.00	-21
NON ERM MEMBERS						
Greece	292.867	310.520	-0.526	6.03	-2.80	-
Italy	2106.15	2058.56	-1.4	-2.26	5.44	-
UK	0.786652	0.840765	-0.004164	6.88	-3.57	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.

(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Jan	Feb	Mar	PUTS Jan	Feb	Mar
1.520	2.57	3.12	3.68	0.07	0.76	1.41
1.530	1.74	2.51	3.05	0.19	1.08	1.76
1.540	0.99	1.99	2.51	0.36	1.46	2.22
1.550	0.46	1.40	2.10	0.83	1.91	2.89
1.560	0.16	0.96	1.64	1.53	2.51	3.27
1.570	0.04	0.65	1.29	2.38	3.15	5.73

Previous day's vol., Calls N/A Puts N/A. Prev. day's open int., Calls N/A Puts N/A

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	94.68	94.69	+0.01	94.71	94.68	54,944	428,684
Jun	94.94	94.95	+0.03	94.97	94.94	51,714	383,878
Sep	95.00	95.04	+0.04	95.05	95.00	36,342	253,051

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	95.15	95.15	+0.01	95.16	95.15	170	7,847
Jun	95.39	95.38	+0.02	95.41	95.38	588	4,824
Sep	-	95.47	+0.05	95.47	-	4	151

All Open interest figs. are for previous day

BASE LENDING RATES

	%		%		%
Adam & Company	6.50	Duncan Lawrie	6.50	Royal Bk of Scotland	6.50
Allied Trust Bank	6.50	Exeter Bank Limited	7.50	●Singer & Friedlander	6.50
AIB Bank	6.75	Financial & Gen Bank	7.60	●Smith & Williamson Secs	6.50
●Henry Ansbacher	6.50	●Robert Fleming & Co	6.50	TSB	6.50
Bank of Baroda	6.50	Girobank	6.75	United Bank of Kuwait	6.75
Banco Bilbao Vizcaya	6.50	●Guinness Mahon	6.50	Unity Trust Bank Plc	6.50
Bank of Cyprus	6.50	Habib Bank AG Zurich	6.50	Western Trust	6.50
Bank of Ireland	6.50	●Hambros Bank	6.50	Whiteaway Laidlaw	6.50
Bank of India	6.50	Heritable & Gen Inv Bk	6.75	Yorkshire Bank	6.50
Bank of Scotland	6.50	●Hill Samuel	6.50		
Barclays Bank	6.50	C. Hoare & Co	6.50	● Members of London Investment Banking Association	
Brit Bk of Mid East	6.50	Hongkong & Shanghai	6.50	* In administration	
●Brown Shipley & Co Ltd	6.50	Julian Hodge Bank	6.50		
Citibank NA	6.50	●Leopold Joseph & Sons	6.50		
Clydesdale Bank	6.50	Lloyds Bank	6.50		
The Co-operative Bank	6.75	Meghraj Bank Ltd	6.50		
Coutts & Co	6.50	Midland Bank	6.50		
Credit Lyonnais	6.50	* Mount Credit Corp	6.50		
Cyprus Popular Bank	6.75	NatWestminster	6.50		
		●Rea Brothers	6.50		

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Jan	Feb	Mar	Jun	PUTS Jan	Feb	Mar	Jun
9625	0.20	0.23	0.24	0.38	0	0.03	0.04	0.07
9650	0.02	0.05	0.07	0.20	0.07	0.10	0.12	0.14
9675	0	0.01	0.01	0.08	0.30	0.31	0.31	0.27

Est. vol. total, Calls 13932 Puts 2085. Previous day's open int., Calls 190814 Puts 212487

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Mar	Jun	Sep	PUTS Mar	Jun	Sep
9825	0.11	0.23	0.28	0.08	0.13	0.24
9850	0.02	0.10	0.15	0.24	0.25	0.36
9875	0.01	0.04	0.07	0.48	0.44	0.53

Est. vol. total, Calls 0 Puts 100. Previous day's open int., Calls 8890 Puts 2958

The FT GUIDE TO WORLD CURRENCIES, published in Monday's newspaper and covering over 200 currencies, is now available by dialling the following number from the keypad or handset of your fax machine. 0891 437 001. Calls are charged at 39p/min cheap rate and 49p/min at all other times. For service outside the UK please telephone +44 171 873 4378 for details on Cityline International.

Notice of Full Redemption to the Holders of

Continental Cablevision, Inc.

US $100,000,000

Senior Subordinated Floating Rate Debentures Due November 1, 2004

NOTICE IS HEREBY GIVEN THAT, pursuant to Sections 1101(a) and 202 of the Indenture (the "Indenture") dated as of November 1, 1989 between Continental Cablevision, Inc. (the "Company") and Fleet National Bank of Connecticut, as successor trustee (the "Trustee"), the Company elects to redeem on February 16, 1996, which is the next interest payment date (the "Redemption Date"), the outstanding US $100,000,000 aggregate principal amount of the above-described Debentures at a redemption price equal to 100% of the principal amount thereof, together with (i) accrued interest to the Redemption Date, (ii) Additional Amounts, if any, as required by the Indenture and (iii) a Make-Whole Premium, if any, as required by the Indenture (the "Redemption Price").

Payment of the Redemption Price will be made only upon the presentation and surrender on the Redemption Date of the Debentures together with all unmatured coupons appertaining thereto and Coupon No. 24, at one of the following offices:

Principal Paying Agent
Banque Paribas Luxembourg, S.A.
10A Boulevard Royal
L-2093 Luxembourg

Paying Agents
Morgan Guaranty Trust Company of New York
35 Avenue des Arts
B-1040 Bruxelles

Morgan Guaranty Trust Company of New York
60 Victoria Embankment
GB-London EC4Y 0JP

All unpaid interest installments represented by coupons which shall have matured on or prior to the Redemption Date (including but not limited to Coupon No. 24) shall continue to be payable to the holders of such coupons, and the amount payable to the holders of Debentures presented for redemption shall not include such unpaid installments of interest unless coupons representing such installments shall accompany the Debentures presented for redemption.

On and after February 16, 1996, interest on the Debentures shall cease to accrue and be payable and the coupons for interest thereon shall be void.

BANQUE PARIBAS
LUXEMBOURG

Dated: January 5, 1996

JAPAN AIRLINES COMPANY, LTD.
(Incorporated with limited liability in Japan)
¥10,000,000,000
Floating Rate Notes due April 1998
For the period 5th January 1996 to 9th April 1996
In accordance with the Terms and Conditions of the Notes, notice is hereby given that the rate of interest has been fixed at 0.79688 per cent. per annum and that the interest payable on the relative payment date being 9th April 1996 will be ¥210,287 per ¥100,000,000 Note.
The Industrial Bank of Japan, Limited (London Branch) as Agent Bank

THE REPUBLIC OF MAURITIUS
US$150,000,000
Floating Rate Notes due 2000
In accordance with the provisions of the Notes, notice is hereby given that for the interest period 5 January 1996 to 9 April 1996, the interest rate will be 6.525% and the interest payable on the relative payment date 9 April 1996 will be US$172.19 per US$10,000 note.
Agent Bank
Midland Bank plc

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LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

Notes	Price	+ or -	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
Allied Domecq	550xd	+1	[illegible]	476½	[illegible]	5.4	22.1
Bulmer (HP)	505	—	[illegible]	384	[illegible]	3.1	18.9
[illegible]	129	—	146	99	78.5	4.8	27.8
Grand Met	490xd	-5	497	352	[illegible]	4.1	15.8
Guinness	487	+8	535	404	8,681	3.6	15.1
Highland	362xd	+13	444	317	456.5	2.9	15.5
Kirin Y	776¼	+21½	776¼	621	8,188	9.8	23.9
Macallan-Glen	194	+3	217	175	227.8	0.0	43.0
Macdon Martin A	[illegible]	—	710	600	85.8	2.2	17.6
Matthew Clark	575	+1	651	532	604.8	3.9	–
Merrydown	108xd	+2	140	67	11.9	2.3	–
Seagram $	[illegible]	[illegible]	[illegible]	[illegible]	9,306	1.2	–
Taunton Cider	253	—	259	126	278.3	3.8	24.7

BANKS, MERCHANT

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

BUILDING MATS. & MERCHANTS - Cont.

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS

HOUSEHOLD GOODS - Cont.

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

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LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LEISURE & HOTELS - Cont.

LIFE ASSURANCE

MEDIA

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

OTHER FINANCIAL - Cont.

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Astra B SKr	□	£26¾	—	£26¾	£14⅛	3,066	8.0	24.7
Biota		112	-3	115	65	66.4	—	—
Brit Biotech	v□	1805	-2	2160	425	872.7	—	—
Warrants		1285	—	1485	28	—	—	—
Cantab Pharms		345	+5	345	103	37.3	—	—
Celltech	v□	578	-9	614	233½	419.6	—	Φ
Chiroscience	v□	312	-15	375	92½	212.2	—	—
Cortecs	v□	170	—	188	31	213.6	—	—
Elan IE	v	£31⅞	+⅛	£32½	£19¾	880.2	—	26.0
Glaxo Wellcome	v□	890	-4	917	587	21,456	4.2	20.6
Hafslund A NKr	□	£17¾	-⅛	£21⅛	£11⅛	1,029	2.6	18.7
B NKr	□	£17⅞	-⅛	£21⅛	£12⅛	672.8	2.8	18.3
Huntingdon	v□	74	—	80	35	68.2	—	Φ
Lilly (Eli) $		£34¼	-1⅛	*£36⅞	£19¾	20,002	1.3	—

PHARMACEUTICALS - Cont.

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Medeva	v□	276	+6	294	163	812.6	1.8	17.7
Microgen	□	180	—	218	135	65.1	1.1	—
Novo B DKr		£91⅛	+⅞	£91⅛	£56⅞	2,855	0.6	16.6
Oxford Molecular		280	-4	283	50	134.6	—	—
Peptide Therapeutics		220	-7	280	200	78.0	—	—
Proteus Intl	v□	111	—	201	60	36.3	—	—
Ransom (Wm)		58	-1	60	44	9.26	4.4	14.5
Schering DM	□	£42⅞	-⅛	*£63⅛	£41⅞	2,921	1.6	—
Scotia	□	564	+21	719	273	419.1	—	—
SmKl Beecham A	v□	718xd	+5½	718	444	10,009	2.4	21.3
Equity Units	□	710xd	+15	710	418	9,303	2.4	21.1

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Dixons	v□	429	-13	449	189	1,722	2.1	25.9
(Net) Dv Cv Pf		122½xd	-3	129½	73½	221.0	5.1	—
Ero	v□	8½	—	11½	5½	10.7	—	13.2
Essex Furn	v	107	—	109	77	12.3	5.0	Φ
Etam	v□	191	—	238	147	125.5	4.1	—
Fine Art Devs	v□	410xd	—	460	320	329.6	4.7	12.9
Fired Earth	v	80	—	88	37	3.76	1.0	23.8
Flying Flowers	□	133	-1	144	61	24.2	2.0	17.4
French Connect	v	185	—	295	153	33.3	—	12.8
Frost	v□	193xd	-2	*289¼	193	181.2	4.1	18.2
Galvea	v	70	—	81	46	17.3	3.3	17.2

SUPPORT SERVICES

SUPPORT SERVICES - Cont.

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

WATER

AIM

AIM - Cont.

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£31⅛	—	£34	£29	2,111	2.7	16.5
Barlow		[illegible]	+⅛	[illegible]	£4⅞	1,856	1.8	Φ
Gold Flds Prop R		137	—	137	136	16.1	8.8	7.0
MK Props		92	—	95	65	3.70	13.0	—
SASOL	♥	535	-3	648	435	3,138	2.9	—
SA Brews		£24⅛	—	£24⅛	£12⅞	7,234	1.4	32.9
Standard Bank	□	£31⅛	+⅛	£31⅛	£20⅞	3,785	1.5	21.8
Tiger Oats		1145xd	+13	1145	700	1,722	1.7	Φ
Tongaat-Hulett	†	1125xd	—	1125	636	1,025	1.7	21.3

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Extel, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ‡ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- Φ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue or exchange based on preliminary figures.
n Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v P/e ratios are calculated under new ACT guidelines.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1995.
K Yield based on prospectus or other official estimates for 1996
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-96.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution.

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd
Pembroke Hall, Pembroke, Bermuda

Royal Bk of Canada O/S Fd Mgrs Ltd
PO Box 246, St Peter Port, Guernsey 01481 723021

GAM Fund Management Ltd (z)
65-66 Lower Mount St, Dublin 2, Ireland 00 353 1 6760 630

For GT Asset Mgt (Ireland) Ltd see LGT Asset Mgt PLC

Guinness Flight Select Funds Plc
Europa Hse, Harcourt St, Dublin 2 00 3531 407 2000

Henderson Crosthwaite Investment Co
32 St Mary at Hill, London, EC3P 3AJ 0800 581206

Baring Mutual (Ireland) Ltd

Berkshire KITC Growth Fund Plc
NAV $3.2045

Berkshire Korea Fund Plc
NAV $5.41 -0.27

Bordier Invest (Ireland) Ltd
Invest Korea Fd NAV Dec 22 $69.75

CFP Interest Rate Arbitrage Fund Plc
NAV $10.00 0.00

Colplus Fund
NAV $102.66 -0.39

Capital Vision Fund Plc
NAV $8.45 -1.44

Chemical Ireland Fund Administrators Ltd

ISLE OF MAN (SIB RECOGNISED)

AXA Equity & Law Intl Fund Mgrs

Allied Dunbar Intl Fund Mgrs (1800)F

Ashburton Global Funds Ltd (1200)F

Bank of Ireland Asset Mngmt (IOM) Ltd

BERMUDA (REGULATED)(**)

GUERNSEY (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

JERSEY (REGULATED)(**)

LUXEMBOURG (REGULATED)(**)

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LONDON STOCK EXCHANGE

MARKET REPORT

Equity market begins to look increasingly fragile

By Steve Thompson,
UK Stock Market Editor

The recent surge in UK share prices, which has seen the market climb over 130 points since just before Christmas, showed clear signs of running out of steam yesterday.

Dealers attributed the London market's reluctance to follow Wall Street higher to the absence of any of the rumoured takeover bids actually hitting the market yesterday. But other market observers said the shock news that Mr Michael Lawrence, formerly chief executive of the Stock Exchange, was leaving the organisation "after losing the confidence of the board" had clearly unsettled the market.

The FT-SE 100 index, which celebrated the overnight rise on Wall Street by moving to a fresh all-time high of 3,723.0 during the morning, subsequently struggled to maintain its poise, eventually closing a net 1.5 off at 3,714.1.

There was more comfort for the market's second liners, however, with the FT-SE Mid 250 index in good form and lifted by another burst of takeover speculation in the life assurance sector, as well as some keen buying interest in a number of the investment management groups.

Turnover in the market was again surprisingly high, reaching 735.2m at the 6pm reading, with activity in non-FT-SE 100 stocks accounting for 58 per cent of the overall total.

The head of marketmaking at one of the leading UK securities houses said he expected the London market to encounter a bout of profit-taking in the short-term and said the FT-SE 100 could well fall back to the 3,650 level in the absence of any of the rumoured bids.

"After moving sharply higher for seven sessions and consolidating on another it feels as if London has done enough upside work for the time being," he said. He insisted there was no element of panic about to hit the market, "just the need for consolidation."

After its initial rise, Footsie began to lose heart in mid-morning as none of the welter of bid rumours that drove the London market sharply better on Wednesday materialised.

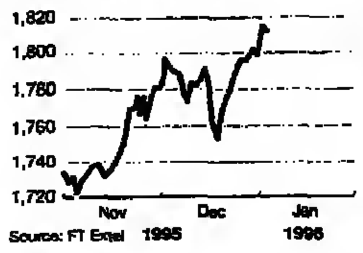
The takeover speculation encompassed numerous areas of the market but was especially focused on the Forte/Granada bid battle and the life assurance arena.

Thereafter the markets moved narrowly in either direction, ignoring a strong opening on Wall Street, where the Dow Jones Industrial Average was around 25 points ahead in early trading. London stubbornly refused to respond and was proved correct after the close when the Dow surrendered all its earlier gains and posted a 26 point fall.

British Steel was the best Footsie performer on the strength of steel price rises in the US, while brokers' upgrades were responsible for impressive showings by British Airways, British Aerospace and Thorn EMI. SBC Warburg helped trigger good gains in Standard Chartered and Abbey National.

On the sell side many of the retailers began to lose ground amid worries that the much-vaunted pre-Christmas buying spree may yet disappoint some of the market's optimists.

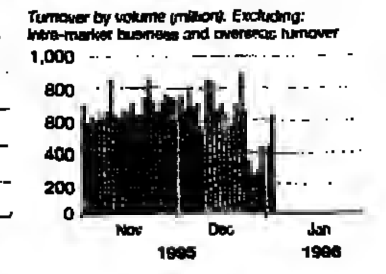
FT-SE-A All-Share index



Source: FT Extel

Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Indices and ratios

FT-SE 100	3714.1	-1.5
FT-SE Mid 250	4071.4	+17.5
FT-SE-A 350	1845.2	+1.2
FT-SE-A All-Share	1817.55	+1.59
FT-SE-A All-Share yield	3.75	(3.75)
FT Ordinary index	2734.1	+8.3
FT-SE-A Non Fins p/e	16.81	(16.80)
FT-SE 100 Fut Mar	3742.0	-5.0
10 yr Gilt yield	7.41	(7.50)
Long gilt/equity yld ratio:	2.09	(2.10)

Best performing sectors

1 Electronic & Elec .... +1.3
2 Textiles & Apparel .... +1.2
3 Other Financial .... +1.1
4 Paper, Pckg & Print .... +1.1
5 Transport .... +1.0

Worst performing sectors

1 Gas Distribution .... -2.2
2 Insurance .... -1.9
3 Oil Exploration .... -1.1
4 Household Goods .... -0.9
5 Oil, Intergrated .... -0.6

Upgrades boost Airways

UK carrier British Airways moved sharply ahead after it reported traffic figures at the top end of expectations, and a broker upgraded profit estimates.

At the close of business yesterday, the shares showed a gain of nearly 4 per cent after jumping 18 to 488p, in beavy trading of 11m.

The company said passenger traffic in December was up 7.9 per cent from a year earlier, while capacity grew by 8 per cent. The range of analysts forecasts for passenger growth was between 6 and 8 per cent.

Sentiment was enhanced after UBS, one of the company's brokers, turned more positive. It moved its recommendation on the stock from "hold" to "buy". The securities house also raised its profits forecast for the year to March 1996 by £10m to £580m, and by £40m to £660m for the following year's estimate.

UBS raised its traffic volume projection from 9 per cent to 9.5 per cent for the year to March 1996, and from 7 to 7.5 per cent for the following year. Mr Richard Hannah at the broker said he was now "less pessimistic on pricing though I still see a fall in average prices charged."

Positive news on steel prices brought a sparkle to British Steel helping it top the league table of the day's best performers in the Footsie.

The UK producer gained 6½ to 168½p, as turnover soared to 15m. Dealers were cheered by news that several US producers had lifted prices by around 3 per cent, a move seen as encouraging for the industry as a whole.

The stock underperformed the market by around 10 per cent last year and analysts suggested there had also been buying from investors with a feeling it had been left behind.

Some buyers were encouraged by a recommendation from UBS, one of the group's brokers. However, UBS was also reported to have downgraded profit expectations at British Steel. Maintaining this year's forecast at £1.05bn, the broker was said to have downgraded profit estimates for the year to March 1997 by 10 per cent to £900m.

UBS is believed to have maintained its dividend forecast at 10p for both years, although there were those in the market who suggested that figure was too high and that a 9p dividend was more likely.

Telecom worries

BT shares moved back towards their three-year low achieved in mid-December as one broker repeated its caution over the company's prospects. The shares fell 4¼ to 345¼p with 14m traded.

ABN Amro Hoare Govett, traditionally a strong supporter, became more pessimistic recently. It believes the weight of regulatory pressure will weigh down on the stock for at least three months but argues that further downside in the shares is limited.

BT clashed again with its regulator last month after Oftel said it was seeking broad new powers to investigate alleged anti-competitive practices.

The shares have also been affected by a statement from BT's 60 per cent owned mobile phone subsidiary Cellnet, citing lower take-up of the service. And potential investors in the sector are holding back ahead of the flotation of Orange.

Orange, the mobile phone group in which British Aerospace has a 31 per cent stake, is expected to come to the market in the spring and raise between £1.5bn and £2bn. Vodafone, which announced disappointing subscription figures on Tuesday, is expected to be hit by the flotation. Its shares eased back a half to 220½p.

A well-flagged bid in the life assurance sector failed to materialise but Refuge, the mooted recipient, still gained 11 to 485p. London & Manchester, was caught up in the enthusiasm which focused on a possible approach from Liverpool Victoria Friendly Society, the mutual life insurer. Its shares gained 8 to 428p. Britannic was boosted 14 to 813p but its rise was said to be more a reflection of an ABN Amro Hoare Govett recommendation.

Composite insurers slipped back on a reaction to the recent cold snap and subsequent thaw. However, insurance specialist Mr Charles Landa of SGST said insurers had not suffered any serious UK winter claims since 1990 and it was too early to make any judgment about this one. Commercial Union fell 12 to 610p, GRE 7 to 267 and General Accident 13 to 648p.

Takeover speculation continued in the insurance brokers but shifted from the leaders to the second liners where Lowndes Lambert jumped 6 to 148p.

Oil stocks lost some of their recent lustre as optimism over crude oil prices and political factors receded. Enterprise, believed to be in line for some 'take profits' sales from one broker, dipped 13 to 384p, BP 5 to 537p and Shell Transport 2 to 867p.

Women's wear group Jacques Vert unravelled 85 to 115p following a slide in interim profits to £366,000 from £1.36m and a statement that continuing poor trading had resulted in forward orders for the spring and summer being 8 per cent lower than for the same period in 1995.

A number of financial stocks were active as BZW, the investment bank, launched 11m basket warrants. The one-year warrants – essentially options to buy stocks at a later date – are made up of 16 stocks, are priced at 79.5p each and are exerciseable at £90.95p each. Among the stocks in the issue are *E D & F Man, which rose 9* to 151p, Perpetual, up 63 at 1908p and Mercury Asset Management, up 9 at 888p.

Property stocks MEPC hardened 2 to 405p, with NatWest Securities said to have advised clients to switch into the stock and out of Hammerson, which lost a penny to 364p.

British Aerospace jumped 18 to 806p, after analysts focused on the lucrative gains the group will derive from the flotation of Orange.

Sentiment was helped by a recommendation from Merrill Lynch. The broker is positive on the aerospace sector as a whole but yesterday it highlighted the attractions of BAe.

Music and rentals group Thorn EMI moved ahead as broker's recommendations boosted the stock. The shares put on 50 at 1588p, in trade of 1.4m. Mr Bruce Jones at Merrill Lynch believes Thorn is a "strong and well financed company that can justify its present rating before we talk about demerger or takeover of the music side." The broker believes the shares are worth between 1800p and 2000p on a demerger or break-up basis.

Sunderland-based brewer Vaux appreciated 8 to 278p, as talk continued that Bass is lining up a bid. Bass were also in demand and the shares closed 4 ahead at 729p.

Profit-taking, together with a general feeling that the Christmas euphoria among retailers may have been overdone, left Dixons trailing 13 to 429p. House of Fraser was said to have eased on the same sentiment. The shares closed 9 down at 172p.

Marks & Spencer fell 7 to 440p. market

FINANCIAL TIMES EQUITY INDICES

	Jan 4	Jan 3	Jan 2	Dec 29	Dec 28	Yr ago	*High	*Low
Ordinary Share	2734.1	2725.8	2696.7	2690.1	2678.7	2331.8	2734.1	2238.3
Ord. div. yield	3.97	3.98	4.03	4.03	4.05	4.48	4.73	3.97
P/E ratio net	15.14	15.15	15.96	15.95	15.89	17.59	21.33	15.35
P/E ratio nil	15.94	15.95	15.76	15.75	15.69	17.04	22.21	15.17

*For 1995/96. Ordinary Share index since compilation, high 2734.1 4/01/96; low 49.4 26/6/40. Base Date: 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2735.8	2731.5	2734.2	2735.0	2728.6	2730.3	2729.7	2733.7	2734.5	2736.9	2728.0

	Jan 4	Jan 3	Jan 2	Dec 29	Dec 28	Yr ago
SEAQ bargains	32,165	31,788	27,915	11,096	18,094	17,098
Equity turnover (£m)†	-	1557.5	1072.2	1297.5	840.0	1047.4
Equity bargains†	-	35,744	30,178	13,072	20,354	23,944
Shares traded (ml)†	-	624.6	422.1	415.1	323.3	454.8

†Excluding intra-market business and overseas turnover.

London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	888	Total Highs	207	Total contracts	35,813
Total Falls	378	Total Lows	14	Calls	21,566
Same	1,584			Puts	14,247

Jan. 4 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	3746.0	3742.0	-5.0	3756.0	3730.0	7669	51931
Jun		3744.0	-5.0			0	1118

FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	4080.0	4080.0	+10.0	4080.0	4080.0	3	3315

FT-SE 100 INDEX OPTION (LIFFE) (*3714) £10 per full index point

	3550 C	3550 P	3600 C	3600 P	3650 C	3650 P	3700 C	3700 P	3750 C	3750 P	3800 C	3800 P	3850 C	3850 P	3900 C	3900 P
Jan	180½	2½	133	4	85½	9	45½	20	19½	45	6½	86	1	136	1	186
Feb	196½	8	152½	14½	112	24	78	40	50½	64	29½	95½	15½	137	7	186
Mar	209	20	186½	29½	131	42	100	60½	72	84	49½	112½	32	148	19½	189
Apr	216	39½	178½	50½	146	67½	115	86	89	109½	65	136	46	169	32	204½
Jun†			212	76½			147	109			97	158½			68½	223

Calls 4,144 Puts 5,208

EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	3575 C	3575 P	3625 C	3625 P	3675 C	3675 P	3725 C	3725 P	3775 C	3775 P	3825 C	3825 P	3875 C	3875 P	3925 C	3925 P
Jan	153	2½	106½	5	84	13	31½	30½	10½	59½	2	100½	1	149	1	199½
Feb	174½	11	132	18	93½	28	61½	46½	37½	72	29½	105	10	144	4	187½
Mar	187½	22½	147½	32	113	46½	83	66½	59	91½	40	122	29½	157	15	195½
Jun			196½	80			133½	115			85½	164			53½	229
Sept†			242	110½			181½	145½			136	189½			88½	243½

Calls 1,878 Puts 2,560 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1995/96 High	1995/96 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
-	F.P.	25.0	29	23	Cash Converters	25		Mv2.6	5.1	13.0	18.7
-	F.P.	23.6	125	116	Century Inns	118		-	-	-	-
-	F.P.	12.2	510	500	†Com de Port Fin	510		-	-	-	-
160	F.P.	72.1	160	149½	Cortworth	151		Rv5.8	2.1	4.8	12.4
-	F.P.	55.5	113	108	Cox Insurance	113		-	-	-	-
-	F.P.	14.0	80	52	†Crown Products	53		-	-	-	-
-	F.P.	14.1	80	75	†Dmatek	75		-	-	-	-
100	F.P.	28.1	108	98	Finsbury Tech	106	+2	-	-	-	-
200	F.P.	21.8	203	198	Gearhouse	200		Lv4.4	3.5	2.8	13.1
-	F.P.	28.1	87	73	Jupiter Split Cap	87		-	-	-	-
-	F.P.	54.3	101	99	Juiter Split Inc	89½		K7.24	-	9.1	-
-	F.P.	59.0	£59	£58	Jupiter Split Units	£59		7.24	-	0.2	-
-	F.P.	13.0	28	20	†Manx & O'seas	22	+2	-	-	-	-
204	F.P.	3,373.5	214½	198	National Grid	199½	-1½	Wv11.23	2.3	7.0	9.0
-	F.P.	8.56	78	75	†Nthn Pstlm	75		-	-	-	-
-	F.P.	0.13	8	8	†Do Wrnts	8		-	-	-	-
-	F.P.	86.6	398	345	†Pet City	388	+3	-	-	-	-
-	F.P.	29.8	152	124	†Polymasc Pharms	149	+2	-	-	-	-
-	F.P.	1.07	105	100	†Revelation P'dly	100		-	-	-	-
-	F.P.	3.15	3½	3	†Rushmere Wynne	3½		-	-	-	-
133	F.P.	46.9	140	133	Unicorn Intl	140		Wv5.5	2.2	4.9	11.7
-	F.P.	180.1	260	213	Victrex	260		Lv3.6	2.4	1.7	30.4
-	F.P.	4.05	135	125	†Viewinn	135		-	-	-	-
-	F.P.	47.8	68	55	Wilmington	67		v-	-	-	31.5

† Alternative Investment Market. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

	Jan 3	% chg on day	Jan 2	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (36)	2048.43	+4.1	1988.57	1928.54	1.86	-	2063.66	1697.81
Regional Indices								
Africa (16)	2680.83	+7.5	2494.51	3162.62	3.47	28.07	3162.62	2272.74
Australasia (8)	2476.69	+3.7	2387.77	2415.37	2.01	38.72	2607.57	1788.20
North America (12)	1811.16	+2.6	1785.21	1486.88	0.75	53.72	1831.00	1348.18

 Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92. ‡ Partial. Latest prices were unavailable for this edition.

FT - SE Actuaries Share Indices — The UK Series

	Jan 4	Day's chge%	Jan 3	Jan 2	Dec 29	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3714.1	....	3715.6	3687.9	3689.3	3032.3	3.85	2.07	15.68	2.09	1486.39
FT-SE Mid 250	4071.4	+0.4	4053.8	4036.9	4021.3	3473.3	3.59	1.83	18.85	1.50	1604.53
FT-SE Mid 250 ex Inv Trusts	4083.2	+0.4	4066.7	4051.6	4034.6	3479.0	3.73	1.89	17.72	1.22	1610.29
FT-SE-A 350	1845.2	+0.1	1844.0	1831.6	1830.6	1521.5	3.80	2.02	16.28	0.96	1510.35
FT-SE-A 350 Higher Yield	1844.5	-0.1	1845.5	1832.7	1833.8	1544.5	4.86	1.64	14.54	1.40	1253.41
FT-SE-A 350 Lower Yield	1850.8	+0.2	1847.4	1835.3	1832.1	1498.2	2.87	2.34	18.64	0.50	1264.24
FT-SE SmallCap	1965.40	+0.4	1958.17	1948.32	1941.55	1745.58	3.17	1.81	21.77	0.31	1590.22
FT-SE SmallCap ex Inv Trusts	1939.71	+0.3	1933.05	1922.69	1917.81	1718.31	3.39	1.90	19.42	0.26	1577.03
FT-SE-A ALL-SHARE	1817.55	+0.1	1815.86	1803.78	1802.57	1507.07	3.75	2.01	16.60	0.90	1511.54

FT-SE Actuaries All-Share

	Jan 4	Day's chge%	Jan 3	Jan 2	Dec 29	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(25)	3251.37	-0.6	3271.58	3256.83	3249.86	2657.58	3.59	2.03	17.18	0.00	1368.20
12 Extractive Industries(7)	4167.81	-0.4	4183.63	4212.75	4225.26	3659.27	3.54	2.56	13.81	0.00	1195.12
15 Oil, Integrated(3)	3303.83	-0.6	3324.65	3302.25	3293.22	2642.75	3.72	1.95	17.17	0.00	1425.23
16 Oil Exploration & Prod(16)	2123.65	-1.1	2148.67	2133.25	2121.05	1862.24	2.30	1.53	35.39	0.00	1260.53
20 GEN INDUSTRIALS(277)	2003.12	+0.8	1987.04	1971.56	1870.26	1820.16	4.12	1.89	18.02	0.18	1075.78
21 Building & Construction(34)	1065.13	+0.3	1062.68	1046.53	1044.78	961.13	3.77	2.18	15.22	0.00	878.37
22 Building Matls & Merchs(29)	1832.86	+0.4	1825.00	1808.75	1814.39	1746.31	4.09	2.03	15.04	0.00	909.68
23 Chemicals(23)	2412.83	+0.9	2391.60	2344.82	2345.50	2248.53	4.06	1.87	16.49	0.00	1123.59
24 Diversified Industrials(21)	1826.28	+0.9	1809.20	1789.19	1784.59	1752.40	5.39	1.57	14.79	0.00	998.58
25 Electronic & Elect Equip(35)	2225.97	+1.3	2196.98	2211.85	2235.60	1842.88	3.24	1.99	19.32	0.98	1143.01
26 Engineering(71)	2194.86	+0.8	2181.19	2181.14	2176.16	1785.38	3.40	2.23	16.52	0.28	1314.07
27 Engineering, Vehicles(13)	2558.95	+0.3	2550.18	2525.68	2507.34	2155.60	4.01	1.23	25.25	0.00	1303.68
28 Paper, Pckg & Printing(26)	2619.67	+1.1	2591.58	2544.37	2511.96	2718.39	3.61	2.48	13.21	0.39	1074.86
29 Textiles & Apparel(19)	1450.64	+1.2	1433.09	1420.08	1414.87	1527.60	4.79	1.78	14.57	0.00	870.04
30 CONSUMER GOODS(81)	3653.90	+0.1	3649.64	3633.55	3638.76	2770.20	3.72	1.79	18.78	6.01	1330.41
32 Alcoholic Beverages(8)	2934.89	....	2935.14	2898.29	2905.17	2689.83	4.14	1.76	17.11	27.06	1058.30
33 Food Producers(24)	2616.89	+0.2	2613.10	2589.15	2563.21	2296.40	3.93	1.61	17.56	0.00	1161.51
34 Household Goods(14)	2704.64	-0.8	2728.25	2701.22	2703.07	2373.89	3.55	2.14	16.45	0.30	1015.73
36 Health Care(20)	1903.44	-0.4	1910.51	1899.42	1894.61	1570.68	2.70	1.78	26.28	0.48	1143.40
37 Pharmaceuticals(13)	5103.95	+0.2	5091.80	5091.49	5121.38	3225.06	3.22	1.70	22.85	0.00	1704.67
38 Tobacco(1)	4781.81	+0.1	4777.56	4786.05	4807.23	3677.80	5.02	1.94	12.85	0.00	1156.86
40 SERVICES(254)	2248.86	+0.2	2245.45	2233.23	2228.49	1872.36	3.03	2.11	18.52	1.34	1153.58
41 Distributors(32)	2587.04	+0.8	2567.14	2567.10	2571.64	2484.86	3.70	1.77	19.06	0.00	641.56
42 Leisure & Hotels(24)	2662.99	-0.4	2674.58	2666.85	2635.06	2082.25	3.25	2.04	18.85	0.00	1367.51
43 Media(45)	3535.41	+0.7	3512.17	3459.67	3451.89	2774.03	2.15	2.24	26.00	4.16	1266.78
44 Retailers, Food(15)	2001.76	-0.4	2010.06	1999.70	1994.06	1726.40	3.65	2.40	14.26	0.00	1253.46
45 Retailers, General(43)	1937.55	-0.5	1948.21	1952.54	1948.43	1561.06	3.06	2.27	18.00	0.00	1092.25
47 Breweries, Pubs & Rest.(24)	2879.10	-0.5	2863.35	2849.44	2848.33	2186.25	3.43	2.00	18.22	7.86	1372.42
48 Support Services(49)	1811.12	+0.6	1699.86	1881.95	1886.56	1473.23	2.46	2.48	20.88	1.27	1204.27
49 Transport(21)	2199.83	+1.0	2177.42	2170.72	2173.15	2210.52	3.94	1.41	22.44	0.00	902.89
60 UTILITIES(35)	2433.67	-0.6	2447.14	2457.61	2465.06	2384.04	5.08	2.03	12.14	0.64	1018.41
62 Electricity(14)	2723.02	-0.2	2728.65	2729.47	2728.38	2528.13	5.06	2.82	9.42	0.00	1267.40
64 Gas Distribution(2)	1678.81	-2.2	1717.69	1701.06	1688.29	2048.34	7.14	1.04	16.64	0.00	842.28
66 Telecommunications(7)	1956.03	-0.5	1966.74	1960.63	1992.62	1951.20	4.32	1.74	16.62	0.00	885.36
68 Water(12)	2126.34	+0.2	2121.97	2154.14	2173.37	1786.09	5.73	2.61	8.36	3.61	1154.10
69 NON-FINANCIALS(673)	1916.64	+0.1	1816.81	1908.66	1908.19	1632.21	3.79	1.96	16.81	1.14	1432.67
70 FINANCIALS(107)	2910.80	-0.1	2914.06	2864.12	2856.41	2114.23	3.88	2.33	13.83	0.02	1229.31
71 Banks, Retail(8)	4114.89	....	4116.32	4039.23	4036.29	2804.04	3.64	2.60	13.20	0.00	1318.07
72 Banks, Merchant(6)	3668.44	+0.1	3663.54	3643.93	3635.82	2945.36	2.54	2.41	20.43	0.00	1150.03
73 Insurance(23)	1418.99	-1.8	1446.02	1425.47	1426.82	1140.10	5.16	2.86	8.01	0.00	1038.98
74 Life Assurance(6)	3499.25	+0.1	3494.71	3423.91	3371.24	2267.80	3.99	1.53	20.51	0.00	1425.60
77 Other Financial(23)	2430.14	+1.1	2402.89	2373.07	2361.56	1848.28	3.67	1.89	18.05	0.00	1362.54
79 Property(41)	1462.81	+0.4	1456.16	1435.41	1425.64	1381.87	4.24	1.32	22.30	0.12	887.17
80 INVESTMENT TRUSTS(128)	3070.65	+0.7	3050.60	3022.37	3021.50	2654.86	2.18	1.05	54.93	1.94	1064.00
89 FT-SE-A ALL-SHARE(908)	1817.55	+0.1	1815.96	1803.78	1802.57	1507.07	3.75	2.01	16.60	0.90	1511.54
FT-SE-A Fledging	1113.99	+0.1	1112.45	1108.94	1106.41	1000.90	3.05	2.36	18.17	0.38	1151.58
FT-SE-A Fledging ex Inv Trusts	1113.86	-0.1	1114.46	1112.64	1109.99	1001.62	3.35	2.46	15.15	0.45	1150.69

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3716.1	3711.4	3718.0	3722.3	3711.4	3714.0	3712.3	3719.0	3714.0	3723.0	3709.0
FT-SE Mid 250	4060.1	4060.4	4063.8	4069.1	4068.5	4069.8	4069.2	4070.1	4071.4	4071.5	4059.9
FT-SE-A 350	1845.6	1843.0	1845.9	1848.2	1843.6	1845.0	1844.3	1847.0	1845.1	1848.4	1842.1

Time of FT-SE 100 Day's high: 10.58am Day's low: 9.12am FT-SE 100 1995/6 High: 3715.6 (3/1/96) Low: 2954.2 (23/1/95).

FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	1071.6	1071.8	1072.2	1073.3	1074.5	1074.5	1074.5	1074.5	1074.3	1073.3	1071.6	+1.7
Pharmaceuticls	5038.8	5018.9	5025.7	5024.9	5008.6	5010.4	5009.1	5032.5	5038.3	5046.0	5032.7	+13.3
Water	2121.6	2122.8	2122.8	2123.2	2123.2	2124.1	2123.2	2123.4	2120.0	2118.9	2115.4	+4.5
Banks, Retail	4164.7	4152.0	4178.5	4192.4	4179.0	4189.2	4184.8	4192.7	4167.8	4167.3	4168.7	-1.4

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper-based products relating to these indices, is available from FINSTAT, Fitzroy House, 13-17 Epworth Street, London EC2A 4DL.
The FT "500" has been renamed FT-SE-A Non-Financials Index. The FT-SE 100, the FT-SE Mid 250, FT-SE Actuaries 350 and the FT-SE Actuaries Industry baskets are calculated by the International Stock Exchange of the United Kingdom and Republic of Ireland and the FT-SE Actuaries All-Share Index is compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules. "FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited. The FT-SE Actuaries Share Indices are audited by The WM Company. † Sector P/E ratios greater than 80 and net covers greater than 30 are not shown. ‡ Values are negative. DELETION: Northumbrian Water (68) & (FT-SE Mid 250). INSERT: Redrow (FT-SE Mid 250). NAME CHANGE: Berry Wehmiller Intl. to BWI (26). EFG to Tandem. Airsys to Full Circle Industries (Fledging)

TRADING VOLUME

Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
3i†	[illegible]	[illegible]	[illegible]
ASDA Group†	[illegible]	[illegible]	[illegible]
Abbey National†	[illegible]	[illegible]	[illegible]
Albert Fisher	[illegible]	[illegible]	[illegible]
Allied Domecq†	[illegible]	[illegible]	[illegible]
Anglian Water	[illegible]	[illegible]	[illegible]
Argos†	[illegible]	[illegible]	[illegible]
Argyll Group†	[illegible]	[illegible]	[illegible]
Arjo Wiggins	[illegible]	[illegible]	[illegible]
Assoc. Brit. Foods†	[illegible]	[illegible]	[illegible]
Assoc. Brit. Ports	[illegible]	[illegible]	[illegible]
BAA†	[illegible]	[illegible]	[illegible]
BAT Inds.†	[illegible]	[illegible]	[illegible]
BET	[illegible]	[illegible]	[illegible]
BICC	[illegible]	[illegible]	[illegible]
BOC†	[illegible]	[illegible]	[illegible]
BP†	[illegible]	[illegible]	[illegible]
BPB Inds.	[illegible]	[illegible]	[illegible]
BSkyB†	[illegible]	[illegible]	[illegible]
BT†	[illegible]	[illegible]	[illegible]
BTR†	[illegible]	[illegible]	[illegible]
Bank of Scotland†	[illegible]	[illegible]	[illegible]
Barclays†	[illegible]	[illegible]	[illegible]
Bass†	[illegible]	[illegible]	[illegible]
Blue Circle†	[illegible]	[illegible]	[illegible]
Booker	[illegible]	[illegible]	[illegible]
Boots†	[illegible]	[illegible]	[illegible]
Britannic	[illegible]	[illegible]	[illegible]
Brit. Aerospace†	[illegible]	[illegible]	[illegible]
British Airways†	[illegible]	[illegible]	[illegible]
British Gas†	[illegible]	[illegible]	[illegible]
British Land	[illegible]	[illegible]	[illegible]
British Steel†	[illegible]	[illegible]	[illegible]
Bunzl	[illegible]	[illegible]	[illegible]
Burmah Castrol†	[illegible]	[illegible]	[illegible]
Burton†	[illegible]	[illegible]	[illegible]
Cable & Wireless†	[illegible]	[illegible]	[illegible]
Cadbury Schweppes†	[illegible]	[illegible]	[illegible]
Caradon	[illegible]	[illegible]	[illegible]
Carlton Comms.†	[illegible]	[illegible]	[illegible]
Coats Viyella	[illegible]	[illegible]	[illegible]
Comm. Union†	[illegible]	[illegible]	[illegible]
Compass	[illegible]	[illegible]	[illegible]
Cookson†	[illegible]	[illegible]	[illegible]
Courtaulds†	[illegible]	[illegible]	[illegible]
Dalgety	[illegible]	[illegible]	[illegible]
De La Rue	[illegible]	[illegible]	[illegible]
Dixons†	[illegible]	[illegible]	[illegible]
East Midland Elect.	[illegible]	[illegible]	[illegible]
Electrocomponents	[illegible]	[illegible]	[illegible]
Eng China Clays	[illegible]	[illegible]	[illegible]
Enterprise Oil†	[illegible]	[illegible]	[illegible]
Eurotunnel Units	[illegible]	[illegible]	[illegible]
FKI	[illegible]	[illegible]	[illegible]
Foreign & Col. I.T.†	[illegible]	[illegible]	[illegible]
Forte†	[illegible]	[illegible]	[illegible]
Gen. Accident†	[illegible]	[illegible]	[illegible]
General Elect.†	[illegible]	[illegible]	[illegible]
Glaxo Wellcome†	[illegible]	[illegible]	[illegible]
Glynwed	[illegible]	[illegible]	[illegible]
Granada†	[illegible]	[illegible]	[illegible]
Grand Met.†	[illegible]	[illegible]	[illegible]
GUS†	[illegible]	[illegible]	[illegible]
Greenalls	[illegible]	[illegible]	[illegible]
GRE	[illegible]	[illegible]	[illegible]
GKN†	[illegible]	[illegible]	[illegible]
Guinness†	[illegible]	[illegible]	[illegible]
HSBC (75p shs)†	[illegible]	[illegible]	[illegible]
Hammerson	[illegible]	[illegible]	[illegible]
Hanson†	[illegible]	[illegible]	[illegible]
Harrisons Crosfield	[illegible]	[illegible]	[illegible]
Hays	[illegible]	[illegible]	[illegible]
Hillsdown	[illegible]	[illegible]	[illegible]
IMI	[illegible]	[illegible]	[illegible]
ICI†	[illegible]	[illegible]	[illegible]
Inchcape	[illegible]	[illegible]	[illegible]
Johnson Matthey	[illegible]	[illegible]	[illegible]
Kingfisher†	[illegible]	[illegible]	[illegible]
Kwik Save	[illegible]	[illegible]	[illegible]
Ladbroke†	[illegible]	[illegible]	[illegible]
Land Securities†	[illegible]	[illegible]	[illegible]
Laporte	[illegible]	[illegible]	[illegible]
Legal & General†	[illegible]	[illegible]	[illegible]
Lloyds TSB†	[illegible]	[illegible]	[illegible]
Lloyds Abbey	[illegible]	[illegible]	[illegible]
LASMO†	[illegible]	[illegible]	[illegible]
London Elect.	[illegible]	[illegible]	[illegible]
Lonrho	[illegible]	[illegible]	[illegible]
Lucas	[illegible]	[illegible]	[illegible]
MEPC	[illegible]	[illegible]	[illegible]
MFI	[illegible]	[illegible]	[illegible]
Marks & Spencer†	[illegible]	[illegible]	[illegible]
Mercury Asset Mgmt	[illegible]	[illegible]	[illegible]
Midlands Elect.	[illegible]	[illegible]	[illegible]
Morrison (W.)	[illegible]	[illegible]	[illegible]
NFC	[illegible]	[illegible]	[illegible]
NatWest Bank†	[illegible]	[illegible]	[illegible]
National Grid†	[illegible]	[illegible]	[illegible]
National Power†	[illegible]	[illegible]	[illegible]
Next	[illegible]	[illegible]	[illegible]
Northern Elect.	[illegible]	[illegible]	[illegible]
Northern Foods	[illegible]	[illegible]	[illegible]
Pearson†	[illegible]	[illegible]	[illegible]
P & O†	[illegible]	[illegible]	[illegible]
Pilkington	[illegible]	[illegible]	[illegible]
PowerGen†	[illegible]	[illegible]	[illegible]
Prudential†	[illegible]	[illegible]	[illegible]
REXAM†	[illegible]	[illegible]	[illegible]
RMC†	[illegible]	[illegible]	[illegible]
RTZ†	[illegible]	[illegible]	[illegible]
Racal	[illegible]	[illegible]	[illegible]
Rank Org.†	[illegible]	[illegible]	[illegible]
Reckitt & Colman†	[illegible]	[illegible]	[illegible]
Redland†	[illegible]	[illegible]	[illegible]
Reed Intl.†	[illegible]	[illegible]	[illegible]
Rentokil†	[illegible]	[illegible]	[illegible]
Reuters†	[illegible]	[illegible]	[illegible]
Rolls Royce†	[illegible]	[illegible]	[illegible]
Ryl Bk Scotland†	[illegible]	[illegible]	[illegible]
Royal Insurance†	[illegible]	[illegible]	[illegible]
Sainsbury†	[illegible]	[illegible]	[illegible]
Schroders	[illegible]	[illegible]	[illegible]
Scottish & Newcastle	[illegible]	[illegible]	[illegible]
Scot. Hydro-Elect.	[illegible]	[illegible]	[illegible]
Scottish Power†	[illegible]	[illegible]	[illegible]
Sears	[illegible]	[illegible]	[illegible]
Sedgwick	[illegible]	[illegible]	[illegible]
Seeboard	[illegible]	[illegible]	[illegible]
Severn Trent†	[illegible]	[illegible]	[illegible]
Shell Transport†	[illegible]	[illegible]	[illegible]
Siebert	[illegible]	[illegible]	[illegible]
Slough Estates	[illegible]	[illegible]	[illegible]
Smith (W.H.)	[illegible]	[illegible]	[illegible]
Smith & Nephew†	[illegible]	[illegible]	[illegible]
SmKl Beecham A†	[illegible]	[illegible]	[illegible]
SmKl Beecham Units†	[illegible]	[illegible]	[illegible]
Smiths Inds.	[illegible]	[illegible]	[illegible]
Southern Elect.	[illegible]	[illegible]	[illegible]
South Wales Elect.	[illegible]	[illegible]	[illegible]
South West Water	[illegible]	[illegible]	[illegible]
Southern Water	[illegible]	[illegible]	[illegible]
Standard Chartered†	[illegible]	[illegible]	[illegible]
Storehouse	[illegible]	[illegible]	[illegible]
Sun Alliance†	[illegible]	[illegible]	[illegible]
T&N	[illegible]	[illegible]	[illegible]
TI Group†	[illegible]	[illegible]	[illegible]
Tarmac	[illegible]	[illegible]	[illegible]
Tate & Lyle†	[illegible]	[illegible]	[illegible]
Taylor Woodrow	[illegible]	[illegible]	[illegible]
TeleWest	[illegible]	[illegible]	[illegible]
Tesco†	[illegible]	[illegible]	[illegible]
Thames Water†	[illegible]	[illegible]	[illegible]
Thorn EMI†	[illegible]	[illegible]	[illegible]
Tomkins†	[illegible]	[illegible]	[illegible]
Trafalgar House	[illegible]	[illegible]	[illegible]
Unigate	[illegible]	[illegible]	[illegible]
Unilever†	[illegible]	[illegible]	[illegible]
United Biscuits	[illegible]	[illegible]	[illegible]
Utd. News & Media	[illegible]	[illegible]	[illegible]
United Utilities	[illegible]	[illegible]	[illegible]
Vodafone†	[illegible]	[illegible]	[illegible]
WPP	[illegible]	[illegible]	[illegible]
Welsh Water	[illegible]	[illegible]	[illegible]
Wessex Water	[illegible]	[illegible]	[illegible]
Whitbread†	[illegible]	[illegible]	[illegible]
Williams Hldgs.†	[illegible]	[illegible]	[illegible]
Willis Corroon	[illegible]	[illegible]	[illegible]
Wimpey	[illegible]	[illegible]	[illegible]
Wolseley†	[illegible]	[illegible]	[illegible]
Yorkshire Elect.	[illegible]	[illegible]	[illegible]
Yorkshire Water	[illegible]	[illegible]	[illegible]
Zeneca†	[illegible]	[illegible]	[illegible]

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FT-SE 100 index constituent. [illegible]

WORLD STOCK MARKETS

EUROPE

POLAND (Jan 4 / Zloty)

		+/-	High	Low	Yld	P/E
Elektrim	8.75	+.25	11	6.40	1.7	—
Exbud	29	+1.10	32	10.60	—	—
Mostal	0.86	—	8.80	5.55	—	—
Wedel	87	+4	165	81.50	1.4	—
Wlczak	23.50	+.50	33	10.90	1.3	—
Zywiec	174	+4	213	127.50	1.1	—

PORTUGAL (Jan 4 / Escudo)

		+/-	High	Low	Yld	P/E
BCO Pl	1,850	+25	2,287	1,401	5.4	—
BCPort	2,050	+25	2,150	1,831	2.9	—
BESanl	2,250	—	2,585	1,966	8.7	—
BancTA	2,530	+19	3,274	2,212	7.8	—
[illegible]	4,200	−100	4,340	3,317	6.0	—
[illegible]	5,300	—	5,300	5,580	2.1	—
PTelcm	2,931	+41	3,010	2,700	—	—
Sonlnv	3,312	+82	3,820	3,075	4.0	—
Unicer	2,520	+60	2,600	1,891	3.4	—

PACIFIC

AFRICA

NORTH AMERICA

INDICES

INDEX FUTURES

US INDICES

Dow Jones	Jan 3	Jan 2	Dec 29	1995/96 High	1995/96 Low	Since compilation High	Since compilation Low
Industrials	5194.07	5177.45	5117.12	5216.47 (13/12/95)	3832.08 (30/1/95)	5216.47 (13/12/95)	41.22 (2/7/32)
Home Bonds	105.49	105.36	105.33	105.49 (3/1/96)	93.63 (3/1/95)	106.77 (18/10/93)	54.99 (1/10/81)
Transport	2027.58	2000.37	1981.00	2082.11 (5/12/95)	1473.19 (3/1/95)	2082.11 (5/12/95)	12.32 (8/7/32)
Utilities	228.27	227.43	225.40	228.27 (3/1/96)	183.03 (3/1/95)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 5252.60 (5208.10) Low 5143.13 (5087.13) (Theoretical+)
Day's high 5207.08 (5184.66) Low 5177.08 (5088.70) (Actual+)

Standard and Poors	Jan 3	Jan 2	Dec 29	1995/96 High	1995/96 Low	Since compilation High	Since compilation Low
Composite‡	621.32	620.73	615.93	621.69 (13/12/95)	459.11 (3/1/95)	621.69 (13/12/95)	4.40 (1/6/32)
Industrials¶	727.41	727.65	721.19	731.65 (13/12/95)	546.28 (3/1/95)	731.65 (13/12/95)	3.62 (21/6/32)
Financial	62.29	62.23	61.87	63.66 (6/12/95)	41.54 (3/1/95)	63.66 (6/12/95)	8.64 (1/10/74)
NYSE Comp.	332.83	331.71	329.51	332.83 (3/1/96)	250.73 (3/1/95)	332.83 (3/1/95)	4.46 (28/4/42)
Amex Mkt Val	552.17	550.97	548.23	553.58 (12/9/95)	433.12 (6/1/95)	553.58 (12/9/95)	29.31 (9/12/72)
NASDAQ Cmp	1046.25	1059.65	1052.13	1069.79 (4/12/95)	743.58 (3/1/95)	1069.79 (4/12/95)	54.87 (31/10/72)

■ RATIOS

	Dec 29	Dec 22	Dec 15	Year ago
Dow Jones Ind. Div. Yield	2.30	2.31	2.27	2.79
	Jan 3	Dec 27	Dec 20	Year ago
S & P Ind. Div. yield	1.95	1.98	2.02	2.45
S & P Ind. P/E ratio	18.85	18.75	18.49	18.71

■ NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Change on day
Telefonos	12,727,200	36	+1¼
Sim Grphs	6,885,500	21¼	−1¼
Westinghouse	6,822,100	18¾	+1¼
Micron	5,518,400	39¾	−2
WalMart	6,048,000	23¾	+⅜
Ford Motor	5,004,900	29¾	+⅛
AT&T	4,870,300	65½	+1⅛
Grupo Telev	4,471,700	25⅞	+1⅝
SCE Corp	3,656,200	13	+⅜
Am Express	3,308,500	41½	+¼

■ TRADING ACTIVITY

● Volume (million)

	Jan 3	Jan 2	Dec 29
New York SE	468.523	364.151	31.649
Amex	17.489	15.284	319.706
NASDAQ	514.456	406.857	554.273
NYSE			
Issues Traded	3,063	3,104	3,160
Rises	1,523	1,579	1,553
Falls	916	911	631
Unchanged	644	614	724
New Highs	282	189	224
New Lows	6	10	21

■ S&P 500

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	626.90	627.60	+0.65	630.05	626.30	66,126	193,604
Jun	633.00	633.10	+0.55	635.40	632.00	168	6,042

■ Nikkei 225

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	20490.0	20600.0	–	20700.0	20420.0	18,316	136,434
Jun	20300.0	20590.0	–	20590.0	20300.0	4	18,184

Open interest figures for previous day.

● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. + The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ¶ Subject to official recalculation.

MONTREAL (Jan 4 / Can $)
4 pm close

Prices supplied by Telekurs

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1995/96, except Toronto & Montreal (daily). ‡ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

■ TOKYO - MOST ACTIVE STOCKS: Thursday, January 4, 1996

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Toshiba Corp	24.5m	840	+31	Matsushita E Ind	6.7m	1780	+60
Mitsubishi Heavy	11.2m	859	+38	Hitachi	6.3m	1090	+50
Sanyo Electric	10.0m	654	+59	NKK Corp	5.4m	289	+11
Nippon Steel Corp	9.3m	360	+6	Sumitomo Mtl Min	5.0m	1000	+72
Toyota Motor Co	7.2m	2320	+130	Sumitomo Hvy Ind	4.6m	394	+23

صكذا من الاصل

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

4 pm close January 4

1995/96 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
22	12 1/8	AAR	0.48	2.3	24	470	20 3/4	20 1/8	20 1/2	-1/2
46 1/4	20	AMP	0.92	2.3	28	12473	40	39 1/4	39 3/4	+1/8
80 1/4	53 3/8	AMR			17	5455	76 7/8	74 7/8	75 1/8	-1 1/2
47 7/8	38 3/8	ASA	1.71	4.3	26	1004	40	39 1/4	39 7/8	
44 3/4	30 3/4	AbbotL	0.04	2.0	20	10510	42 3/4	42	42 1/2	+1/2
16 7/8	12	Abitibi Pr	0.40	2.8	7	1685	15 3/4	15 1/4	15 1/4	-3/8
28 1/2	21	ABM Ind	0.70	2.3	15	28	28 1/8	28	28 1/8	+1/8
17 1/2	13 1/8	Acptncsin			10	41	15 3/8	15 1/8	15 1/4	-3/8
40	31 7/8	ACE Ltd x	0.56	1.4	0	778	39 1/8	39	39 1/2	+5/8
9 7/8	8 1/2	ACM Gvt In e	0.48	5.1	8	443	9 3/8	9 1/4	9 3/8	
7 3/4	6 1/2	ACM GvOpp x	0.06	9.1		109	7 3/8	7 1/4	7 1/4	-1/4
7 1/2	5 3/4	ACM Gvt Sp e	0.75	11.3		696	6 3/4	6 1/2	6 5/8	
8 3/4	7 1/4	ACM Gvt Sa x	0.24	2.9		171	8 1/2	8 1/2	8 5/8	-1/8
9 1/2	7 5/8	ACM Man 4	0.90	9.9		128	9 1/8	9	9 1/8	+1/8
28 1/4	10 3/4	AcmeCh	0.48	2.6	33	550	19	17 3/4	18 5/8	-1/2
38 3/4	7 1/8	Acme Elect			71	504	8 3/4	8 1/2	8 5/8	
34 1/2	22 3/4	Acordia	0.72	2.3	15	25	29 5/8	29 7/8	29 3/8	-1/4
16 3/4	10 1/8	Acuson			40	267	13	12 5/8	12 7/8	-1/8
19 5/8	15 5/8	Adams Expr	0.48	2.8	0	178	18 7/8	18 5/8	18 3/4	
30 7/8	2 7/8	AdvMic			5	11120	17 1/8	16 3/8	16 7/8	-1/4
9 3/4	5	Advest Grp	0.16	1.9	12	453	8	8 7/8	9	
27 1/2	18 1/8	Advo Inc x	0.10	0.4	19	667	26 1/8	25 5/8	25 3/4	-1/8
44 3/4	24.80	Aegon	1.28	2.9	17	67	u46 1/8	44 5/8	44 7/8	-1 7/8
5 7/8	3 3/8	Aeroflx			7	15	4	4	4	-1/4
76 3/4	48 3/8	AetnaL	2.76	3.8	33	8949	70 1/2	69 3/8	69 7/8	
44 3/4	21 7/8	Aflac	0.52	1.1	13	1411	u45 7/8	45 1/8	45 3/8	-1/2
26 3/8	16	Ahmnsn	0.88	3.4	8	3080	26 5/8	26 1/8	26 1/4	-1/4
59 1/2	43 7/8	AirPrC x	1.04	1.9	18	2854	55 1/8	54 1/4	54 3/4	+1/4
29 1/2	18 3/8	Airtran Frt	0.30	1.1	25	1272	27 7/8	27	27 1/4	

Continued on next page

4 pm close January 4

NYSE COMPOSITE PRICES

Continued from previous page

1995/96 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
32¾	24¼	SaraLee	0.68	2.1	19	5711	32⅝	31¾	32¼	-¼
58½	39⅞	SBC Co	1.66	2.8	19	13284	u60¼	58⅝	60⅛	+⅛
28⅝	20½	Scana Corp	1.44	5.1	17	1433	28½	28⅛	28¼	-⅛
18	14½	Scecrp x	1.00	5.6	10	5761	17⅞	17⅝	17¾	+¼
11¼	0⅞	SchwshA	0.26	3.8	10	161	7⅞	7⅛	7¼	
50¼	37¼	ScherrRP			23	937	46½	44⅝	44⅞	-1⅞
60¼	35½	SchPl	1.16	2.1	19	8011	55	53¼	54½	+⅝
70⅞	60⅛	Schlmb	1.50	2.2	25	6326	68⅞	67⅞	67⅞	+⅛
28	11¼	Schwab(C)	0.10	0.6	21	5285	21	20¼	20¼	-¼
23⅝	20⅞	SchwMuni				1507	23⅛	22⅞	23	-¼
24⅞	11⅞	SciAtl	0.06	0.4	19	5155	14¼	13⅞	13⅞	-¼
29	15⅛	Scotsman x	0.10	0.6	11	63	17⅞	17⅝	17⅞	+⅛
40⅞	26⅞	Scripps	0.52	1.3	27	558	39½	39⅛	39½	+½
21½	13⅞	ScuddrNAsF	0.02	0.1		749	17½	16⅞	17⅛	+¼
11½	8⅝	ScuddrNEuF	0.18	1.4		207	u11⅞	11½	11⅝	-¼
20	13⅛	SeaCnB	0.70	4.1	1	0	17¼	17	17	-¼
16¼	14⅝	SeaCT.4625	1.46	9.2		7	15⅞	15½	15⅞	+⅜
54¼	23⅝	S'gate				924325	48	44¾	48	-1½
39½	25⅝	Seagrm	0.60	1.7	24	7054	36⅝	35¾	35¾	-⅛
22½	16¼	Seagull En			76	2226	21½	20½	20¾	
30¾	10	Sealed Air			23	548	28	27½	27⅝	
40¾	30⅞	SearsR	0.92	2.3	10	15308	u40¾	40⅛	40½	+⅜
20½	16⅞	SecCapSBI	1.24	6.3	23	378	19⅞	19⅜	19¾	-⅛
12⅞	10⅜	Seligm Sel	0.84	6.6		74	12⅞	12⅝	12¾	
38¼	16¼	Sensormat	0.22	1.2	18	13083	18¾	16⅞	17⅝	-1⅞
32⅛	21⅞	SequaA	0.86	1.6	14	00	32	31½	31⅝	-⅛
40	23	SequaB	0.50	1.3	21	11	39⅞	39⅝	39⅞	+¼
44	28¼	SvcCp	0.44	1.1	24	5981	42¼	41½	41¾	-⅛
30⅛	21½	SvMstr	0.96	3.3	14	718	30	29⅜	29⅞	-½
7⅞	4⅛	ServMerch				0 3432	5¼	4⅝	4¾	-½
[illegible]										
144⅞	98½	Xerox	3.00	2.2	18	4903	135⅞	131¼	133½	-2⅞
52½	41¼	Xtra Corp	0.24	1.6	12	743	42¼	d41¼	41¼	-1¼
25½	19½	Yankee Egy	1.28	5.0	00	00	u25½	25⅛	25⅛	-⅛
48½	34⅛	York Ind	0.24	0.5	17	727	47⅝	47⅛	47¼	-½
4½	2½	Zapata	0.14	4.6	24	641	3½	3⅜	3½	+⅛
12⅛	6½	ZnthEl			4	699	9¾	d6½	6½	-⅛
24⅝	19⅞	Zenith Nat	1.00	4.6	30	31	21⅝	21½	21⅝	-⅛
6⅞	6⅛	Zeris Inc	0.72	10.8		128	6¾	6⅝	6⅝	
17⅞	12⅝	Zero	0.44	2.7	18	153	16¼	16	16⅛	-¼
28	16⅞	Zurn Ind	0.40	2.0	18	409	21¾	20¼	20½	-¼
11½	10¼	Zweig Fund	1.12	10.1		584	11¼	11	11⅝	-⅛
9	7⅞	Zweig Totl	0.84	9.9		295	8⅝	8½	8½	-⅛

Price data supplied by Telekurs

Yearly highs and lows for NYSE reflect the period from Jan 1 1995.
Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.
a-new yearly low, P/E price-earnings ratio, sh-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.
¶ Dealings suspended.

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4 pm close January 4

AMEX COMPOSITE PRICES

[illegible]

4 pm close January 4

NASDAQ NATIONAL MARKET

[illegible]

AMERICA

US equities volatile in early trading

Wall Street

US share prices were mostly lower in early trading. The Dow dropped after an early attempt to establish itself above the 5,200-point mark, while tumbling technology caused the Nasdaq composite to give up nearly 2 per cent, *writes Lisa Bransten in New York.*

The Dow Jones Industrial Average shot ahead 33 points in early trading to 5,227.31 but by 1 pm it had retraced those gains, posting a loss of 7.59 to 5,186.48. The Dow had not closed above 5,200 since the record high of 5,216.47 on December 13 although, on Wednesday, it was over the century mark for much of the session before falling below that level near the close.

The S & P was also ahead in early trading before falling in the early afternoon. At 1 pm it was 2.68 lower at 618.61. The American Stock Exchange composite shed 3.33 at 549.64. NYSE volume came to 294m shares.

Technology shares continued Wednesday's sharp declines; the Nasdaq composite, weighted toward that sector, gave up 20.24 at 1,026.02. The Pacific Stock Exchange technology index plummeted more than 3 per cent.

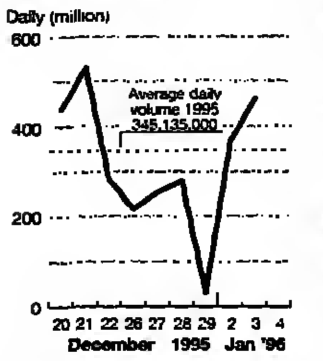
Losses in high tech issues spread across most areas of that sector. Microsoft, the software giant which is the largest company on the Nasdaq, shed $1⅞ at $85 and the software maker, Sun Microsystems, was off $3⅛ to $38⅛. Intel, the chip maker, dropped $1⅞ at $56⅞. Among personal computer companies, Dell shed $2¼ at $32⅞ and Gateway 2000 lost $1⅞ at $21⅞.

Commercial banks were mostly lower, in part because Goldman Sachs, the US investment bank, cut its positive view of the sector after five years of bullishness. Citicorp slid $2 or 3 per cent to $66⅞, Chase Manhattan Bank $1⅞ to $59⅞, JP Morgan $2 to $79⅞ and Mellon Bank $2⅞ to $52⅞.

The retail sector was active as several chains of stores began releasing sales figures for the holiday season. The Gap, the clothing chain, added $2⅞ at $47⅞, while Tandy, an electronics retailer, lost $3⅞ at $36.

NYSE volume

Daily (million)



Canada

Toronto turned back in midday trade as profit-taking emerged after two record setting sessions. The TSE-300 Composite index was down 8.37 by noon at 4,811.14 in very heavy volume of 55.5m shares.

Corel fell C$1⅞ to C$15⅞. It company announced that sales of its key CorelDraw graphics software had been slower than expected, which would hurt fourth quarter results.

Volume was swelled by heavy trade in Crestar Energy, up C$⅞ to C$19⅞, with Amoco Canada Petroleum thought to be selling its remaining shareholding.

Rogers Cantel Mobile Communications fell C$⅞ to 37 after its parent company warned of sharply lower fourth quarter operating income before depreciation and amortisation. Barrick Gold gave up C$⅞ to C$37⅞.

Mexico City eases

Mexico City was weaker by midsession as investors decided that after the substantial rises over the last few sessions it was time to take profits.

The IPC index was off 14.94 at 2,989.84, but up from an earlier low of 2,965.70.

SAO PAULO's rise continued unabated following a 6.6 per cent rally on Wednesday. The Bovespa index was up 87.64 at 46,902 by early afternoon.

Brokers remarked that hopes of further cuts in both domestic and US interest rates, and positive sentiment over the country's constitutional reform debate, which was due to be resumed next week, had contributed to the market's progress. Wednesday's surge took the market to its highest level since April 1995, while turnover, swelled by purchases by foreign funds, was the heaviest since October last year at R$335.2m.

BUENOS AIRES was also caught by profit-taking, and by mid-morning the Merval index was off 2.55 at 561.62.

The index had risen 9 per cent in the previous two sessions, and reached its highest point since Nov 1994.

SANTIAGO was attracting good interest from overseas institutions, and the general index was up 22.92 at 5,804.32 by midsession.

S Africa remains at peak

Johannesburg climbed further into record territory as renewed foreign demand from US and European investors reawoke the market after a quiet start.

The overall index gained 59.1 to 6,466.6, industrials picked up 41.9 to 8,237.5 and golds rose 29.6 to 1,480.2.

Among industrials, Anglo American jumped R4 to R235, the mining financial, Anglovaal, firmed R3 to R158 and Absa, the country's largest banking group, added 100 cents to R22.

Gold shares were buttressed by a bullion price that firmed slightly during the day.

Among strong gainers Vaal Reefs rallied R9 to R259, Dries collected R2 to R51.50, while Kloof firmed R1.25 to R29.25.

EUROPE

More all time highs as dollar extends recovery

Once again, several bourses achieved new all-time highs. AMSTERDAM finally made it through the 500 level, the AEX index closing with a rise of 1.68 to 501.10.

The main winners were leading multi-nationals such as Unilever, which gathered Fl 3 at Fl 234.50, and Philips, Fl 1.40 firmer at Fl 62.90. Dealers said that the electronics group had also found favour with investors after announcing that it had acquired a majority stake in a Dutch electronic publishing company.

Elsewhere in the publishing area there were gains from VNU and Wegener, both of which issued positive expectations for earnings growth last year: the former rose Fl 8.90 to Fl 235.40 and the latter Fl 7.70 to Fl 163.

However, there were some losers, particularly among the financials which had made good progress recently and had been picked out by a number of brokers as outperformers for 1996. ING slipped 20 cents to Fl 109.60 and Aegon Fl 2.20 to Fl 72.80.

ZURICH overcame early consolidation to close at another record high with export sensitive issues encouraged by a firming dollar. The SMI index rose 11.3 to 3,395.14.

Among the dollar earners, Nestlé rose SFr14 to an all-time closing high of SFr1,318 while SMH, the watchmaker which camed under pressure in the run up to the Christmas sales period, jumped SFr23 to SFr728. BBC bearers also picked up SFr23 to SFr1,365.

Banks featured a SFr9 rise to SFr1,277 in UBS as BK Vision, the investment company, said that it had not yet decided whether to appeal against a judge's decision rejecting its request for a special audit of its old adversary.

MADRID, DUBLIN and OSLO were the other three all time highs, achieved in a variety of ways. A 3.1 per cent gain in Spanish construction stocks, with the formerly troubled Huarte up Pta55, or 11 per cent at Pta555, was instrumental in a general index rise of 329.03; Irish brokers reported strong overseas buying as the ISEQ general index rose 20.00 to 2,290.45; but Norway relied on a catch-up effect in Norsk Hydro, a 1995 laggard, which rose another NKr3.50 yesterday to NKr282 as the total index closed just just 0.51 higher at 758.41, after an intraday peak of 763.08. Here, Norske Skog dropped NKr4 to NKr156 after the US producer, Weyerhauser, cut its pulp price.

FRANKFURT watched the dollar and the Dow climb in early US trading, and the Dax index set an intraday, all time high of 2,343.33 in the post-bourse before consolidating to close 6.63 higher at 2,332.81.

Turnover eased from DM11bn to DM8.4bn. Cyclicals acknowledged the dollar effect on product prices and profit margins, said Mr Andreas Schmidt at BZW in Frankfurt: steels took the lead with Thyssen up DM11.50, or 4.3 per cent at DM277 and Preussag DM7 higher at DM418.50.

Chemicals and the automotive sector followed: Henkel closed DM12 higher at DM552, after touching DM564 on the proposition that it could sell its 46 per cent of a pooled, 37 per cent Degussa stake for up to DM700m; Continental and BMW rose 33 pfg to DM20.80, and DM11 to DM781, respectively, the latter after it said that car sales were up 3 per cent in 1995.

As expected, the Bundesbank did not lower interest rates. However, there was strength in banks with Bayernhypo up 68 pfg at DM37.40, and Deutsche Bank DM1.09 better at DM70.60, reflecting general hopes for reducing bond yields in the first quarter of 1996.

PARIS consolidated during the session, but late profit-taking left the market weaker. The CAC-40 lost 11.75 to 1,931.21 as turnover advanced to more than FFr4bn.

There was also a small measure of disappointment that the Bank of France had not made any change in the repo rate.

Renault advanced FFr2.10 to FFr151.50, as rumours resurfaced that the vehicle manufacturer had been selling a part of its stake in Volvo of Sweden. Both groups retained substantial cross-holdings in spite of a failed merger over two years ago. The French company also announced that there had been a 1 per cent growth in the European car market last year.

MILAN staged a come-back after six consecutive sessions of rises as political manoeuvring ahead of next week's parliamentary debate, to map the route ahead, proved too much of a disincentive for most investors. The Comit index edged 2.71 lower to 596.33.

Telecoms, which had provided much of the recent impetus, turned back with Tim giving up L49 to L2,792.

ISTANBUL extended early gains, but in the end just failed to breach the 40,000 level. The composite index rose 578.63 or 2.3 per cent to 39,539.58 helped by a decline in domestic interest rates. On Wednesday the market recovered slightly, after a fall of 3 per cent during the previous session.

Turnover was TL6,910bn, up from TL4,740bn.

Brokers said that activity was still constrained by uncertainty over the composition of the new government. The new parliament convenes next Monday, following the general election on December 24.

The most active issue was Cukurova Elektrik, the utility, which accounted for almost 35 per cent of total volume and fell TL500 to TL42,000.

WARSAW made its third consecutive gain, and some chartists said that they now expected the market to test the 8,200 and 8,300 level. The Wig index rose 1.7 per cent to 7,960.1 as turnover rose 40 per cent to 64.6m zlotys.

Analysts said that equities were continuing a gradual rebound after a loss of 3.5 per cent in late December when the prime minister was accused of allegedly spying for Russia.

FT-SE Actuaries Share Indices

THE EUROPEAN SERIES

Jan 4 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1532.48	1534.64	1534.85	1535.07	1533.88	1534.81	1535.84	1535.57
FT-SE Eurotrack 200	1620.71	1622.50	1622.78	1630.21	1626.79	1629.70	1631.87	1631.71

	Jan 3	Jan 2	Dec 29	Dec 28	Dec 27
FT-SE Eurotrack 100	1534.22	1506.89	1490.41	1492.17	1490.10
FT-SE Eurotrack 200	1630.29	1616.53	1600.63	1597.69	1602.58

Base 1000 (26/10/90). High/day: 100 - 1536.21; 200 - 1633.23 Low/day: 100 - 1532.48; 200 - 1620.71 Period

Written and edited by William Cochrane, Michael Morgan and John Pitt

ASIA PACIFIC

Nikkei returns, catches upbeat mood with 3.8% gain

Tokyo

Equities caught up with the mood elsewhere on the first day of trading for the year and the Nikkei average finished the half day session up 3.8 per cent, *writes Emiko Terazono in Tokyo.*

The 225 index rose 749.85 to 20,618.00, the highest level since September 1994, moving between 19,945.68 and 20,647.90 on buying by overseas investors and brokerage dealers.

Volume was 400m shares against 228m in the half day session last Friday, which closed trading for 1995. The Topix index of all first section stocks rose 53.36, or 3.4 per cent, while the Nikkei 300 gained 11.27 to 307.60. Advances led declines by 1,010 to 95 with 86 unchanged.

In London, the ISE/Nikkei 50 index rose 7.26 to 1,459.23.

Prices received a boost from significant gains on other global equity markets, as well as a stronger dollar. The US currency breached the Y105 level for the first time since June 1994.

Higher crude oil prices lifted oil refiners. Teikoku Oil rose Y14 to Y710 and Arabian Oil advanced Y200 to Y4,500. A rise in gold prices, meanwhile, supported mining issues, with Mitsubishi Materials up Y30 to Y555 and Sumitomo Metal Mining adding Y72 to Y1,000.

Car companies were the day's largest gainers with a rise of 6.8 per cent as a sector. Toyota Motor rose Y130 to Y2,230 and Nissan Motor added Y26 to Y819.

Toshiba was the most active issue, rising Y31 to Y840. Hopes that its next generation digital video disc, scheduled to be launched this autumn, would help profits prompted buying.

Large capital steels and shipbuilders were higher on buying by overseas investors and individuals, who were encouraged by an expected increase in demand from Asian countries. Mitsubishi Heavy Industries rose Y36 to Y859 and Nippon Steel put on Y6 to Y360.

Fuji Photo Film jumped Y150 to Y3,130 on speculation that the company might purchase its own shares.

In Osaka, the OSE average rose 693.54 to 22,144.73 in volume of 23.3m shares.

Roundup

Regional markets experienced a day of stark contrasts.

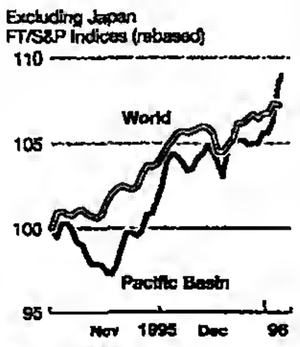
BANGKOK closed at a five-month high, helped by a flood of foreign fund buying. The SET index made 37.14 or 2.8 per cent to 1,360.57 in turnover of Bt22.9bn. Gainers led losers by 252 to 123 and banks led the advance with a sector gain of 5 per cent. Krung Thai leapt Bt10 to Bt118, Bangkok Bank Bt6 to Bt228, and Thai Farmers Bank Bt7 to Bt186.

SEOUL, by contrast, lost 3.3 per cent on a sell-off prompted by doubts over the possibility of an economic soft landing. The composite index fell 28.68 to the day's low of 859.97 in thin volume of 18.3m shares.

Export-driven manufacturing stocks were among the major losers; investors believed that these companies could be hit hardest by the economic slowdown. The chemical industry sub-index fell 4.7 per cent and the steel industry's index lost 4.9 per cent.

Pacific Basin

Excluding Japan
FT/S&P Indices (rebased)



Source: FT Excel

KUALA LUMPUR picked up 2.6 per cent to end at a five month high as foreign and local funds came in as heavy buyers of blue chips. The composite index climbed 25.99 to 1,046.10 in volume of 476m shares, the heaviest since September 22, 1994.

Analysts noted that foreign funds, previously focused on other regional markets, were turning their attention to Kuala Lumpur where many were underweighted.

SINGAPORE saw a further burst of foreign buying, which took the Straits Times Industrials index up to a day's peak of 2,375.85 before prices edged back to leave the index up 58.93 on the day at a 13 month high of 2,365.14.

JAKARTA soared to new record high as overseas institutions moved in to buy equities, while domestic investors were encouraged by the budget. The composite index made 12.96 or 2.5 per cent to 532.80.

MANILA saw substantial buy orders from foreign fund managers lift prices to a three-month closing high.

The composite index broke through the 2,700 resistance level, closing at 2,700.48, up 68.74 or 2.6 per cent.

HONG KONG added to Wednesday's gains, jumping another 1.7 per cent in heavy trade, supported by a further inflow of foreign liquidity. The Hang Seng index ended 176.46 higher at 10,573.90, representing a second consecutive 22-month closing high, having touched an intraday peak of 10,654.78 in early trade. Turnover ballooned to HK$8.8bn, the heaviest since last May 12.

Cheung Kong ended up HK$1.50 at HK$51, after hitting an all-time high of HK$52, while Hutchison closed up HK$1.30 to HK$51 after jumping 4.7 per cent at one stage to its all-time peak of at HK$52.

Analysts noted some switching to recently laggard blue chips and to the H shares of mainland China companies. The H share index rocketed 84.02 or 10.5 per cent to 881.84, as investors looked for alternatives to already expensive China-related "red chips" such as Citic Pacific, which added another 50 cents to HK$29.

SHANGHAI's hard currency B index ended 4.7 per cent higher; investor confidence was revived by Tuesday's release of China's first set of national B share rules. The index rose 2.302 to 51.529. The A index rose 16.490 or 2.9 per cent to 577.065.

SHENZHEN's B share index rose 0.70 or 1.2 per cent to 60.51 while the A shares put on 2.71 or 2.4 per cent to 116.06.

SYDNEY was flat in respectable turnover, helped by a strong rise in the price of gold bullion. The All Ordinaries index put on 0.30 to 2,258.40.

Brokers said that major stocks had all rebounded from session lows late in the day.

TAIPEI's weighted index lost 27.69 to 5,146.04 with brokers suggesting that this was mainly due to a technical correction.

Some analysts forecast that the index would climb above 6,000 during the year, but warned that the China influence would play a key role in determining its movement. They also commented that the market might rebound after the presidential elections on March 23.

The weighted index fell over 26 per cent in local currency terms last year, making it the worst performing Asian market.

COLOMBO was another loser, in spite of overseas buying of blue chips. The all share index lost 1.64 to 660.90.

● Karachi suspended trading because of fears of violence during a strike called by the Mohajir National Movement. The MQM called the strike in Sindh province to protest over the deaths of four of its activists on Tuesday.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by The Financial Times Ltd, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by The Financial Times and Goldman Sachs in conjunction with the Institute of Actuaries and the Faculty of Actuaries. NatWest Securities Ltd was a co-founder of the Indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	WEDNESDAY JANUARY 3 1996 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	TUESDAY JANUARY 2 1996 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (91)	196.49	1.9	186.85	128.96	146.39	173.89	1.3	3.84	191.93	182.77	126.13	143.18	171.70	195.49	157.85	168.70
Austria (26)	177.98	0.7	170.09	117.40	133.25	133.12	1.1	1.57	176.71	168.28	116.13	131.81	131.70	199.28	167.48	182.07
Belgium (34)	213.43	1.4	204.00	140.90	159.82	155.65	1.8	3.36	210.47	200.42	138.32	156.99	153.09	213.43	166.52	166.82
Brazil (28)	148.76	6.0	142.18	98.13	111.39	266.37	6.1	1.65	140.34	133.64	92.23	104.68	251.14	180.25	86.06	155.83
Canada (101)	152.81	1.2	146.06	100.81	114.42	149.94	1.0	2.49	150.93	143.72	99.19	112.57	148.47	152.81	121.81	128.60
Denmark (33)	295.76	1.6	282.69	195.11	221.46	224.22	2.0	1.46	290.87	277.08	191.22	217.03	218.81	295.99	248.18	252.87
Finland (25)	196.21	2.3	187.55	129.44	146.92	178.49	2.2	1.79	191.84	182.69	126.08	143.09	174.55	276.11	171.13	190.86
France (100)	184.42	1.3	176.28	121.67	138.10	142.22	1.7	3.07	182.07	173.37	119.65	135.80	139.87	191.17	157.79	183.21
Germany (60)	167.31	1.5	159.92	110.37	125.28	125.28	1.9	1.92	164.82	156.96	108.32	122.94	122.94	167.74	139.11	140.91
Hong Kong (59)	400.15	2.0	382.51	264.00	299.66	397.37	2.0	3.61	392.39	373.66	257.87	292.68	389.60	400.18	277.40	311.75
Ireland (16)	260.59	1.5	249.06	171.91	195.13	229.38	1.9	3.34	256.72	244.46	168.71	191.49	225.14	260.87	204.97	205.61
Italy (59)	75.28	-0.1	71.96	49.66	56.37	88.50	0.2	1.65	75.39	71.79	49.55	56.23	88.32	82.71	65.45	78.48
Japan (482)	153.13	-0.4	146.37	101.02	114.67	101.02	0.0	0.78	153.72	146.38	101.02	114.66	101.02	164.82	138.95	156.05
Malaysia (108)	498.24	3.2	476.23	328.70	373.09	488.72	3.5	1.69	482.71	459.67	317.23	380.05	472.43	561.98	398.16	477.89
Mexico (18)	1150.43	5.2	1099.61	758.94	861.44	9540.60	3.6	1.46	1093.56	1041.35	718.66	815.68	9208.44	1265.90	647.81	1265.90
Netherland (19)	277.96	0.4	265.68	183.37	208.14	204.67	0.9	3.19	276.74	263.53	181.87	206.42	202.89	277.96	214.98	216.65
New Zealand (14)	82.33	3.4	78.69	54.31	61.65	66.89	3.2	4.34	79.59	75.79	52.31	59.37	64.69	85.49	69.74	70.35
Norway (33)	239.05	1.9	228.49	157.70	179.00	205.94	2.2	2.03	234.55	223.35	154.14	174.94	201.59	243.79	202.76	211.84
Singapore (44)	417.42	2.5	398.99	275.38	312.57	272.94	2.7	1.48	407.42	387.98	267.75	303.90	265.73	417.42	313.94	375.56
South Africa (45)	400.74	3.5	383.04	264.37	300.07	317.93	3.2	3.72	387.07	368.60	254.37	288.71	308.15	400.74	281.06	336.22
Spain (38)	168.91	0.7	161.45	111.43	126.48	155.36	0.8	3.85	167.69	159.69	110.20	125.08	154.10	188.91	124.10	132.85
Sweden (47)	324.31	2.2	309.98	213.95	242.85	316.51	1.8	1.90	317.30	302.16	208.53	236.68	310.99	324.31	232.23	234.71
Switzerland (40)	239.28	1.9	228.71	157.86	179.17	172.19	2.3	1.54	234.72	223.52	154.25	175.07	168.35	239.28	162.35	163.46
Thailand (46)	174.27	3.6	166.57	114.96	130.49	170.58	3.7	2.39	168.23	160.20	110.56	125.48	164.51	184.55	130.15	156.70
United Kingdom (206)	232.09	0.3	221.84	153.11	173.79	221.64	0.7	4.18	231.28	220.24	151.99	172.51	220.24	232.09	191.53	194.55
USA (638)	253.14	0.1	241.95	166.99	189.55	253.14	0.1	2.23	253.02	240.94	166.28	188.72	253.02	253.50	187.80	187.80
Americas (785)	231.18	0.2	220.97	152.51	173.11	194.25	0.1	2.22	230.78	219.76	151.66	172.13	193.95	231.18	173.81	173.81
Europe (736)	204.32	1.0	195.30	134.79	152.95	173.33	1.3	3.03	202.39	192.72	133.00	150.96	171.14	204.32	167.08	166.55
Nordic (138)	286.06	2.1	273.42	188.71	214.20	241.99	1.9	1.82	280.21	266.83	184.15	209.00	237.43	295.02	222.22	227.56
Pacific Basin (834)	164.53	0.1	157.26	109.54	123.20	111.85	0.4	1.16	164.36	156.51	108.01	122.59	111.50	171.87	145.93	163.07
Euro-Pacific (1570)	181.01	0.5	173.01	119.41	135.54	135.26	0.8	2.05	180.10	171.50	118.38	134.33	134.16	181.01	154.73	165.28
North America (739)	246.91	0.1	236.00	162.89	184.89	246.20	0.1	2.24	246.70	234.92	162.13	184.01	246.01	246.93	184.12	184.12
Europe Ex. UK (530)	184.61	1.3	176.45	121.79	138.23	148.44	1.6	2.38	182.24	173.54	119.78	135.93	144.10	184.61	148.53	150.91
Pacific Ex. Japan (352)	272.44	2.5	260.41	179.73	204.01	239.99	2.2	3.07	266.22	253.51	174.95	198.57	234.70	272.44	211.19	233.87
World Ex. US (1762)	182.35	0.7	174.29	120.30	136.54	139.25	0.8	2.09	181.17	172.52	119.06	135.13	137.98	182.35	155.42	165.23
World Ex. UK (2194)	201.15	0.4	192.27	132.70	150.62	167.14	0.5	1.94	200.35	190.79	131.66	148.44	166.25	201.15	163.46	170.20
World Ex. Japan (1916)	232.30	0.6	222.04	153.25	173.95	217.28	0.7	2.56	230.83	219.81	151.69	172.17	215.71	232.30	181.60	182.93
The World Index (2400)	203.87	0.4	194.87	134.56	152.66	172.22	0.5	2.15	203.07	193.38	133.45	151.47	171.07	203.87	166.92	172.38

ACCOUNTANCY APPOINTMENTS

Roger Matthews on an ambitious programme to empower blacks in the railway industry

South African engine of change

Few industries internationally have been more bound by tradition than railways. Son followed father, promotion depended on length of service, jobs were rigidly defined, overstaffing was endemic, and hierarchies stubbornly resistant to change.

South African railways were no different, but with the important added ingredient of the apartheid system, which dictated that management was almost exclusively reserved for whites, and the least skilled jobs for blacks. As one long-serving manager says: "I have to admit that many of my colleagues saw themselves as the guardians of apartheid, not least because it was a guarantor of their jobs, and those of their children in the years ahead."

The commercial writing was already on the wall for South African railways with the onset of recession at the end of the 1980s which led to a sharp decline in business and greater losses. But it was to be matched, and then exceeded, by the pace of political change, culminating in the 1994 general election which brought the African National Congress to power.

The combination of these commercial and political pressures has forced unprecedented changes on the industry, and mirrors the challenges faced by South Africa as it re-enters the world economy.

The commercial part of the process was launched in 1990 when the Nationalist Party government reorganised the transport sector. Transnet was established as the company with overall responsibility for the state-owned transport sector, and the railways, renamed Spoornet, became one of its operating subsidiaries. The aim was to eliminate losses, improve efficiency and deliver a service to customers which would meet the challenge of road haulage. There was also a desire to bring more blacks into management, in anticipation of the political changes still to come.

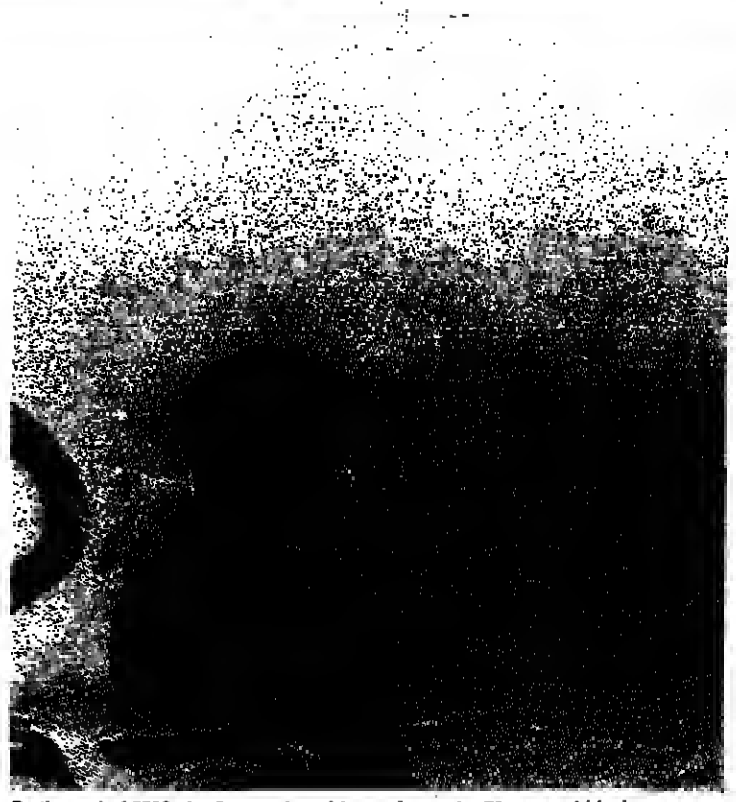
To that has now to be added the new government's programme for the restructuring of the state sector, of which the hotly debated issue of privatisation is part. Stella Sigcau, the minister of state enterprises, is among those senior ANC members who strongly believes that black empowerment must be a central part of that process.

This argument has been given added force by the impact that the reorganisation of Spoornet has already had on the labour force, with total employment having fallen from 162,000 to 65,000 in the past six years. Inevitably, black workers have suffered most from the loss of jobs. Spoornet, which derives 98 per cent of its business from long-haul freight and just 2 per cent from passenger services, may have turned the financial corner with profits last year of R734m (£130m), but the racial composition of management has been slower to change.

Anton Verwey, the deputy head of human resource development at Spoornet, says that the issue of black empowerment must be seen within the overall commercialisation process, but admits that the targets set by the company are a reflection of the demographic composition of the country. In particular, the targets have been set to conform to the objectives outlined by the Black Management Forum, an organisation of black entrepreneurs whose recommendations have been broadly accepted by government.

If achieved, this would mean that by the end of 2000, blacks employed by Spoornet would form 80 per cent of all trainees, 70 per cent of supervisors, 50 per cent of junior managers, 40 per cent of middle managers, 30 per cent of senior managers and 20 per cent of executive directors. Put another way, the overall composition of Spoornet's workforce would be 70 per cent black, which includes mixed race and Indians, and just 30 per cent white.

To move towards this objective Spoornet has adopted a 13-point human resources plan, which has at its core a commitment to appoint two blacks for every white, and to promote from within wherever possible. Evaluations are based on competence, rather than on formal qualifications and experience. This is supplemented by the most ambitious training programme within the state sector. During a 12-month period over 500 people will attend an intensive two-week course designed specifically for Spoornet by the US consultants, Mercer Management Consulting, and aimed initially at experienced whites and new entry non-whites at middle management levels and above.



By the end of 2000, the Spoornet workforce aims to be 70 per cent black

At the technical level, a computer-based business game has four teams competing against each other for business as they absorb the fundamentals of railway management, including planning, marketing and operations. At a personal level it means putting together long-established white managers, who often feel they have little new to learn, with new black entrants who may have only been with Spoornet for a few months. Mercer executives, and the 15 Spoornet staff they have trained to oversee the programme, admit that entrenched racial attitudes are sometimes hard to overcome, but that there are also cheering examples of individuals acknowledging the skills and personal qualities of people with whom previously they would have had no professional or social contact.

The other key aim of the programme, according to Verwey, is to instil in new entrants a deep affection for the industry. "There is huge competition in South Africa today for really capable people, so not only do we have to attract and train them, but also we have to keep them. We are hoping to make them fall in love with railways and keep alive the old belief that the railways is a job forever, something they join for life," he said.

Motivating middle-aged, middle-ranking white staff to believe they still have a promising future in Spoornet is no less of a problem. Their prospects for advancement have all too obviously been reduced, both by the need to streamline the industry and the emphasis that has been put on promoting relatively inexperienced members of the black community.

Critics of the programme argue that Spoornet is attempting to tackle too many issues simultaneously, by forcing the pace of black empowerment while trying to become a more profit-oriented business. They might also reflect that is the challenge which no less faces South Africa as a nation.

Why nationality is still important

None of the world's companies is truly 'global', argues **Winfried Ruigrok**

During the late 1980s, the term globalisation emerged as a fad in management jargon. Business people, gurus, journalists, government officials and academics readily adopted the word into their daily vocabulary. But to what extent have big companies really become "global"?

Despite differing interpretations of what globalisation means, many people have come to accept globalisation as an emerging or even established reality.

However, in *The Logic of International Restructuring**, I and my co-author Rob van Tulder of the Erasmus University Rotterdam challenge this view and argue that none of the world's largest companies in 1993 could truly be called "global". Champions of the globalisation thesis tend to overstate a company's degree of freedom and underestimate the importance of a company's domestic environment in the internationalisation process. In most cases, a well-organised supply base, stable industrial relations and close links to a national government significantly reduce a company's propensity to internationalise.

In our assessment of the internationalisation of the world's 100 largest companies in 1993 (based on the Fortune Global 500 list) firms were found to have made most progress internationalising sales. More than 40 companies generated at least half their sales in foreign markets.

To many companies, selling abroad primarily means exporting – the dominant mode of internationalisation for centuries. The internationalisation of production has been much less impressive. For instance, while Daimler-Benz and British Aerospace generated 57 and 65 per cent of sales abroad respectively in 1993, they kept only 19 and 18 per cent of their assets abroad. In 1993, only 18 companies maintained the majority of their assets abroad: Nestlé, Royal Dutch/Shell and ABB did, while Ford, Hewlett-Packard and Sony did not.

The internationalisation of shares in 1993 was even more limited, suggesting that most large companies still consider that financial security is best warranted at home.

German companies such as Bayer and Hoechst displayed significantly higher levels of internationalisation here, however. This may seem surprising, since stock exchanges and shareholdings play a smaller role in Germany than in, for instance, the UK or the US, and the links of German companies with long-term capital providers could be expected to reduce rather than increase their urge to internationalise shares.

However, German companies are often listed on stock exchanges in neighbouring German-speaking countries.

Finally, the composition of top management boards largely remains a national concern. Of the 30 US companies listed, only five (Philip Morris, Du Pont, Chrysler, Johnson & Johnson and United Technologies) had a foreigner on their executive boards.

National patterns provided interesting results. For instance, US companies displayed relatively high levels of internationalisation in the financial sphere, reflecting a more antagonistic bargaining arena between manufacturers and financial institutions at home. Japanese companies in 1993 trailed the levels of internationalisation shown by their US and European competitors.

On average, large companies originating from small countries showed the highest degree of internationalisation in every functional area of management. These companies had to escape from small domestic markets and supplier bases early on. Thus, big companies from Switzerland (Nestlé and Ciba-Geigy), Sweden (Volvo and Electrolux) and the Netherlands (Philips) have been internationalising for many years. The same is true for companies with bi-national ownership such as Royal Dutch/Shell and Unilever (both Anglo-Dutch) and ABB (Swedish/Swiss). Only for these companies, foreign sales and foreign assets percentages tend to converge at very high levels of internationalisation.

"Borderless" companies are rare and the nationality of a company continues to be significant. For instance, both Ford and Toyota claim they are in a globalisation process but their behaviour differs widely, based on different domestic circumstances. Ford aims to establish a worldwide division of labour exploiting comparative advantages and advantages of standardisation and economies of scale.

As early as the 1970s, Ford tried to launch a "world car", assuming converging consumer tastes which would make it possible to sell the same car all around the world. Although this first attempt failed, the Mondeo model represents another attempt to market one model in all developed markets. Toyota, on the other hand, abandoned the world car concept in its 1995 annual report. Rather than striving for a dispersed division of labour, Toyota is seeking to concentrate production in North America and Europe, and trying to emulate in the US and the UK its model of close interaction with suppliers, workers, dealers and governments, which it successfully developed at home.

The nationality of a company also matters in another respect. Among the top 100 virtually all appeared to have sought and gained from industrial and/or trade policies at some point. At least 20 companies in the 1993 Fortune top 100 would not have survived as independent companies if they had not been saved in some way by their governments.

If the global and footloose firm as yet does not exist, why is this image so omnipresent? One answer may be that the word globalisation contains very strong rhetorical overtones: it suggests a quantum leap beyond previous stages of internationalisation, promising a better tomorrow. A second answer may be that the globalisation thesis provides big companies with a major bargaining chip in their negotiations with suppliers, organised labour and governments.

Ultimately, the image of globalisation could help to keep decision-making power at the corporate level. As former US president John F. Kennedy once stated: "The great enemy of truth is very often not the lie – deliberate, contrived and dishonest – but the myth – persistent, persuasive and unrealistic".

**The Logic of International Restructuring, Routledge, £13.99.*

The author is a visiting researcher at Warwick Business School.

When Brit Art meets Brit Pop

Lynn MacRitchie reviews the grandfathers of them all, Hockney and Warhol

Over Christmas I received a mysterious gift. In a modest cardboard box lay a handsome paper fan which, when opened, seemingly revealed that famous photo of Marilyn Monroe taken in her early pin-up days: hands behind head, eyes half closed, red lips open, then still brownish hair in waves around her naked shoulders. Only a very close look revealed the image to be not that of Marilyn, but of Japanese artist Yasumasa Morimura, wigged, rouged and sporting false breasts. Morimura specialises in using computers to alter famous images to incorporate his own features, and the piece had been commissioned by US software mogul Peter Norton to send out as a Christmas keepsake.

In its folds the fan caught some key themes which have run through show after show of contemporary art this year: the use of a pop culture icon remade one more time in transvestite travesty; the appearance of the artist himself, not content just to make a work but wanting to be it, too; and the form of the piece, ephemeral, throwaway, happy to counterfeit a popular souvenir.

Many of the young British artists whose work has made such an impact this year make work with similar concerns, and aome – Michael Landy, Matt Collishaw, Sam Taylor Wood, Tracey Emin, the Wilson Twins – have had shows in London. 1995 has been the year of Brit Art as well as Brit Pop, and just as the bands Blur and Oasis trace their roots to the Beatles and the Stones, this generation of artists are Pop Art's children.

This can be seen in the two current London shows dedicated to the grandfathers of them all, David Hockney and Andy Warhol.

Hockney, Paul McCartney to Warhol's Mick Jagger, may have worn a gold lamé jacket to his graduation, but then retired quietly to Los Angeles, living far enough and long enough awsy to ensure a warm welcome for his retrospective Royal Academy exhibition.

There is nothing thare to frighten the horses: Hockney's naked boys doze quietly, just waiting to be wakened with a nice cup of tea. His drawing skills, acute and striving when he was a young student, never really grew up. With success and Sunday Times commissions, the skill remained, but the struggle just went away. The line relaxes and the coloured pencils do the walking, strolling through Egypt and Los Angeles like tourists, snatching graphic snapshots to show the folks back home.

Visual amusemant becomes all, a lifetime of doodling, with ideas as well as with pencils, joining up Polaroids, making faxed drawings. On the acoustiguide Hockney talks of the death of a friend. You can hear the hollow sadness in his voice, but he does not make a drama of it; he is controlled, decent. He is controlled about his work, too: his decency stops him short of greatness, and leaves his audience safe to admire a skill that will never force them to see too much.

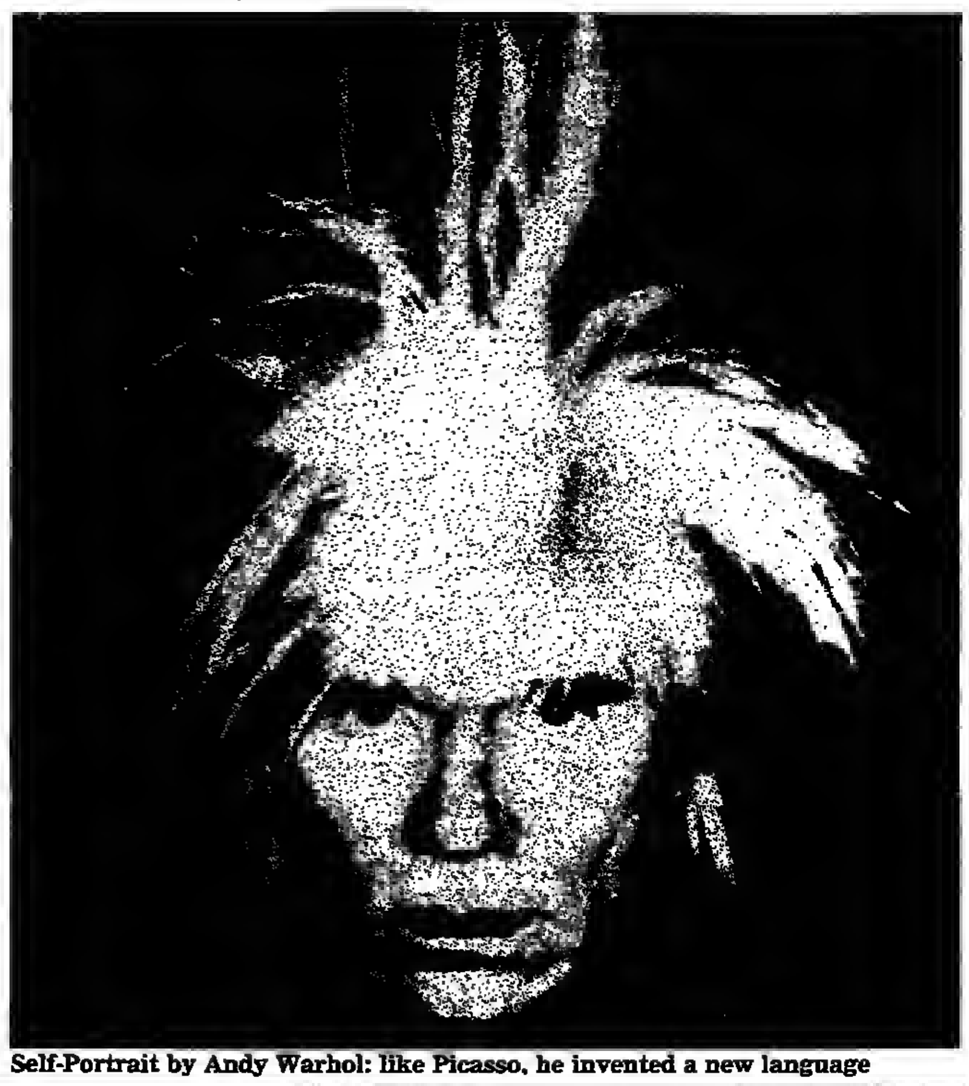
Andy Warhol saw a great deal, recording his New York Factory studio intimates with the all-seeing eye of Polaroid and film. He also observed himself. The self-portraits and studies of skulls done from the mid 1970s until he died some ten years later turned his obsession with death, explored in the early car crash and electric chairs paintings, on to himself.

The flat and flashy technique of bright colour overlayed with black screenprint has an unnerving effect, the artist's features floating like ectoplasm on the surface of the canvas, his eyes staring out as if from beyond the grave. Warhol is the ultimate source of Damien Hirst's unblinking gaze into death. He is the old master of the new generation, their true progenitor. Like Hockney, he was a skilled draughtsman, but preferred to use the techniques he had learned as a commercial artist to ensure that his work could pretend to be "just surface." While Hockney looked backwards to Cubism, Warhol, in his relentless concentration on the apparently trivial, his rejection of skill in favour of mechanical means of reproduction such as silk screen, showed the way forward.

Like Cézanne or Picasso, he invented a new language, and it is the mother tongue of this generation of young artists. They have understood Warhol's profound insight that popular culture is just that, *their* culture, the all-pervading atmosphere of their lives. They know, as he knew, that the profundities of existence are flickering there on the TV screen with the home shopping channel and the soaps, that there is no more innocence and no turning back.

Sam Taylor Wood makes videos which play with the dichotomy between image and sound, screened roughly on the gallery wall. Michael Landy makes large-scale installations which use real objects – market stalls, industrial cleaning equipment – to make comments about social issues. Tracey Emin tells her life story in all sorts of ways, embroidering objects, reading from her diaries. She has opened her own "museum" in a south London shop to continue her dialogue with the public. Like Hockney and Warhol she draws beautifully, but that is not the point. The point now is to find meaning in the maelstrom of images that is the modern world. These young artists know that when everything is interchangeable, exile ceases to be an option, and the only reality is the one you create for yourself.

David Hockney drawings, Royal Academy until January 28. Andy Warhol, Anthony D'Offay, until January 27. Sam Taylor Wood at White Cube until January 20.



Self-Portrait by Andy Warhol: like Picasso, he invented a new language

Mozart's 'Die Entführung aus dem Serail' at the Opéra du Rhin, Strasbourg with Iain Paton and Alan Ewing – and baby rhinoceros

Exotic textures of Les Arts Florissants

Andrew Clark reviews Mozart in Strasbourg

There is nothing quite like a visit to the opera in the French provinces. The theatres are mostly old and shabby, and front-of-house facilities can be a bit primitive. But the auditoria are beautifully proportioned, and the opera public is informal, attentive, open-minded. A Sunday matinee at the Théâtre Municipal in Strasbourg generates a mood of expectation that takes one back to early theatre-going experiences. And in the Opéra du Rhin's Christmas production of *Die Entführung aus dem Serail*, those expectations were richly fulfilled.

To regular patrons of the Opéra du Rhin, that should come as no surprise. The company has enjoyed a renaissance under Laurent Spielmann, its director since 1991. As befits someone who used to run Strasbourg's contemporary music festival, Spielmann has been adventurous, and has taken his audiences with him. Janáček's lesser-known operas have featured prominently, and a Gluck cycle is in progress. This season began with Mozart's *Zaïde* in a version by Luciano Berio, followed by a new opera by Giorgio Battistelli, a Berio pupil. Those who saw *Zaïde* have now been able to compare it with Mozart's second Turkish opera.

The production brought together the American period specialist William Christie and the British stage director Stephen Lawless. It was Christie's first encounter with *Entführung*, and it proved hugely rewarding – not least because he was conducting Les Arts Florissants. The nimble discipline and spirit of these musicians never cease to amaze. Rarely have Mozart's exotic textures sounded so featherlight, or the instrumental obbligati so naturally in context: Christie has no time for the banging and rattling which other conductors mistake for "Turkishness". But he *is* a natural theatre man, setting brisk but flexible tempi, and building the ensembles into a fever of musical jubilation.

The performance unfolded in an unbroken sweep of two-and-a-half hours. Benoit Dugardyn's soft-toned decor consisted of a series of receding frames, giving the stage natural flexibility and false perspective. Sue Willmington's period costumes were a model of their kind. Within this gently understated setting, Lawless focused the drama almost exclusively on the torn emotions of Konstanze and the Pasha.

Here was a man of power, pasaion and enlightened humanity, surrounded by vestiges of the arts and science, to whom the biggest prize in life – the love of the woman he wanted – was denied. And here was a woman who would have willingly given herself to him, were it not for her prior allegiance to another. Their relationship was so tactile that one could have imagined Konstanze losing control if Belmonte had not made such a timely arrival.

While the final curtain presented a resolution of sorts, it was clear the emotional wounds would never completely heal. Mozart's *Singspiel* emerged as more than just a *plaidoyer* for fidelity, tolerance and forgiveness. Beneath its classical exterior lay a tale almost as contemporary and complex as that of *Così*.

These insights came at a price. Like Christie, Lawless played down the barbarous setting, and confined the comedy to some harmless by-play with a pantomime rhinoceros and a pair of crocodiles. The remaining characters were reduced to bit-players – with devastating consequences for Alan Ewing's Osmin, who sang cleanly but lacked oriental menace.

The cast had been chosen more for musical values than operatic expressiveness. Yann Beuron's Belmonte, for example, sang with otherworldly timbre usually reserved for legendary voice recordings, but he acted like a schoolboy. Rosa Mannion sailed through "Marten aller Arten", and would make an outstanding Konstanze if she could be a little less doll-like. With Patricia Petibon's Blonde and Iain Paton's Pedrillo, we had the best of both worlds: characterful singing, especially in Paton's Act 2 aria, and plenty of playful repartee. And in Jürg Löw's tall and subtly articulated Pasha, the production had the perfect centrepiece.

Sponsorship/**Antony Thorncroft**

Fears over the lottery

Arts sponsorship is flourishing. This will come as a surprise to the fund raisers in London's orchestras and opera houses who are finding it hard to nab the business pound, but in the rest of the UK it is still flavour of the day. The Association for Business Sponsorship of the Arts reckons that in 1994-95 a record total of £82.2m was fed into the arts, a substantial 19 per cent rise on the previous year.

Museums were the biggest recipients, receiving £17.17m, as against £12.56m for the opera houses. But Colin Tweedy, director general of ABSA, is surprisingly gloomy about the future. While direct support for arts events rose there was a fall in corporate donations last year, down by over £1m to £5.3m.

This suggests that some companies are already cutting back on traditional funding in order to support lottery projects. Arts companies seeking money from the lottery need to supply some matching finance and the corporate sector is an obvious source. Tweedy is worried that conventional sponsorship will lose out as arts companies ask their business friends to bolster lottery applications.

Arts fund-raisers are also threatened by other developments – a tendency by companies either to regard sponsorship as a marketing exercise and, in consequence, back more popular leisure activities rather than the high arts, or alternatively to see the arts as a form of charitable giving which is less in need at the moment than other community projects.

Sponsorship is also suffering from the trend in many large companies to decentralise decision making, leaving control over budgets to regional managers. Arts sponsorship tends to prosper when the chairman of the board takes a direct interest.

★

Digital, the computer company, provides a good example of a company revising its sponsorship spending. Digital Equipment was at the forefront of arts sponsorship, stepping in to save Sadler's Wells in crisis in 1986 and going on to invest £500,000 a year in the arts, mainly dance. The British example was followed by Digital companies overseas, leading to a multi-million pound backing for the European Community Youth Orchestra.

This year Digital Equipment will be spending virtually nothing on the arts and no new ventures are planned. But tonight at the Royal Albert Hall it is Digital pc funding which has ensured that the Canadian troupe, Cirque de Soleil, is playing London.

The internationally based Digital pc, set up in 1993 to market personal computers, is "presenting sponsor" of this adventurous, animal-free circus, and gets credits everywhere, even on the radio ads. The idea is that a Digital pc is as different and fresh compared with other pcs as the Cirque is to conventional circuses.

As well as brand marketing Digital pc is also keen on the entertainment opportunities provided by the performances and up to 500 clients and potential clients will get a visit to the circus.

Digital pc is presenting sponsor for the Cirque du Soleil in the UK and Switzerland, and an official sponsor, with less prominent logo exposure, in Austria, Germany and Holland. It is costing the company around £500,000 for the link, which is a good example of the new kind of marketing department-led sponsorship.

When Digital Equipment entertained thousands of UK contacts over the years at dance events, it was creating a friendly civilised atmosphere in which to foster relationships; with the Cirque de Soleil Digital pc is hoping that its guests will also go away with a brand image of its persooal computer. The arts now bave to battle for the attention of marketing-orientated managers with a whole range of "events".

★

In contrast, BT is a sponsor which veers towards the community with its £2m a year sponsorship budget. It concentrates its funding on young artists and amateurs rather than glitzy events. It has just renewed its support for the National Theatre's educational programme, signing up for another two years at a cost of £400,000.

The formula for the new BT National Connections is rather different: the commissioned writers will hold workshops on their plays this summer at the NT and see them performed by the schools and youth groups in the summer of 1997.

Next week the NT will announce a sponsorship deal with AT & T. The Almeida and the RSC will also benefit from this initiative for new drama, which is valued at $165,000. The Almeida has long been supported by AT & T, (to the tune of $250,000 over five years), but for its current production, Charles Wood's version of Dumas' melodrama, *The Tower*, it has attracted support from the two most successful men in British arts. Cameron Mackintosh, through the Mackintosh Foundation, has commissioned and paid for Jonathan Dove's music, and Sir Andrew Lloyd Webber has paid for John Napier's imaginative set. This joint backing is worth at least £30,000.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

CONCERT
Concertgebouw
Tel: 31-20-5730573
● Koninklijk Concertgebouworkest: with conductor/cellist Mstislav Rostropovich, violinist Gidon Kremer and viola-player Yuri Bashmet perform works by Tchaikovsky and Schnittke; 8.15pm; Jan 11

■ BERLIN

CONCERT
Deutsche Oper Berlin
Tel: 49-30-3438401
● Carmina Burana: by Orff. Performed by the New London Consort, conducted by Philip Pickett, and the Chor und Orchester der Deutschen Oper Berlin with conductor Rafael Frühbeck de Burgos. Soloists include Fionnuala McCarthy and George Fortune; 7pm; Jan 6, 7 (7.30pm)
OPERA & OPERETTA
Komische Oper Tel: 49-30-202600
● La Traviata: by Verdi. Conducted by Shao-Chia Lü and performed by the Komische Oper. Soloists include Nadelmann, Küttenbaum, Bach-Röhr, Fedin and Dobber; 7.30pm; Jan 7

■ BOLOGNA

OPERA & OPERETTA
Teatro Comunale di Bologna
Tel: 39-51-529999
● La Molinara: by Paisiello. Conducted by Ivor Bolton and performed by the Teatro Comunala di Bologna. Soloists includa Adelina Scarabelli, Francesca Pedaci (Jan 10, 13, 17, 19), Carmela Remigio, Anja Kampe (Jan 10, 13, 17, 19), William Matteuzzi and Juan Luque Carmona (Jan 10, 13, 17, 19); 8.30pm, Jan 10: 6pm, Jan 14: 3.30pm, Jan 17, 19: 4pm, not on Jan 15; from Jan 9 to Jan 19

■ BONN

OPERA & OPERETTA
Oper der Stadt Bonn
Tel: 49-228-7281
● La Rondine: by Puccini. Conducted by Eugene Kohn and performed by the Oper Bonn. Soloists include Inva Mula-Tchako, Ainahoa Arteta, Marcus Haddock, Bruce Fowler and Robert W. Overman; 7pm; Jan 6

■ HAMBURG

CONCERT
Musikhalle Hamburg
Tel: 49-40-346920
● Hamburger Symphoniker: with conductor Jac van Steen perform works by Rossini, Dvořák, Stravinsky, Tchaikovsky, Bizet, Offenbach and J. Strauss in a New Year's Concert; 7pm; Jan 6
● Philharmonie der Nationen: with conductor Justus Frantz, the Staatschor Litauen, soprano Sylvia Greenberg, alto Dalla Schaachter, tenor Daniel Galvez-Vallejo and bass Allan Monk perform works by Beethoven; 8pm; Jan 7

■ LAUSANNE

OPERA & OPERETTA
Théâtre Municipal de Lausanne
Tel: 41-21-3101600
● Le Comte Ory: by Rossini. Conducted by Evelino Pidò and performed by the Opéra de Lausanne. Soloists include Alessandro Corbelli, Valéria Lecoq, Jeffrey Francis and Nedine Chéry; 8pm; Jan 7 (5pm), 9, 11

■ LILLE

THEATRE
Théâtre Sebastopol
Tel: 33-20 57 15 47
● L'Ecole des Femmes: by Molière. Directed by Robert Manuel and performed by Spectacle du Lille. Starring Michel Galabru, Emanuelle Lévrie and Yannick du Bain; 2pm; Jan 7

■ LONDON

CONCERT
Wigmore Hall Tel: 44-171-9352141
● Folies Bergères: the early music quartet perform works by Delalande, Daquin, Marais, Corrette, De la Borde and Montéclair; 4pm; Jan 7
DANCE
Royal Festival Hall
Tel: 44-171-9604242
● Swan Lake: a choreography by Gorsky/Messerer to music by Tchaikovsky, performed by the English National Ballet. Soloists includa Cecilia Kerche and Rykin (Jan 8, 11, 13), Anna Seldi and Paul Chalmsr (Jan 9, 10, 13), and Irena Pasaric and Laurentiu Guinea (Jan 12); 7.30pm; Jan 8, 9, 10 (also 2.30pm), 11, 12, 13 (also 2.30pm)

■ MUNICH

CONCERT
Residenztheater Tel: 49-89-296836
● Selected Chamber Music Works: violinist Dietrich Cramer and pianist Nadja Rubanenko perform works by Hindemith, Brahms and Shostakovich; 11am; Jan 7, 9

■ NEW YORK

OPERA & OPERETTA
Metropolitan Opera House
Tel: 1-212-362-6000
● La Bohème: by Puccini. Conducted by Carlo Rizzi, performed by the Metropolitan Opera. Soloists include Patricia Racetta and Vladimir Grishko; 8pm; Jan 9

■ PARIS

CONCERT
Salle Pleyel Tel: 33-1 45 61 53 00
● Ensemble Orchestral de Paris: with conductor Jean-Jacques Kantorow, harpist Frédérique Cambreling, flutist Clara Novakova, clarinettist Richard Veille and bassoonist Michel Denize perform works by R. Strauss, Mozart and Saint-Saëns; 8.30pm; Jan 9
Théâtre des Champs-Elysées
Tel: 33-1 49 52 50 50
● La jeune fille at la mort: cellist Arto Noras performs works by J.S. Bach, the Prague Quartet perform works by Schubert, and violinist Jean-Jacques Kantorow and alto Hatto Beyerle perform works by Schubert; 8.30pm; Jan 10
THEATRE
Théâtre de la Ville
Tel: 33-1 42 74 22 77
● La Mouette: by Chekhov. Directed by Alain Françon. The cast includes Pierre Baillot, Carlo Brandt, Clovis Cornillac and Valérie Drévilla; 8.30pm, Jan 21, 28: 3pm, not on Jan 14, 15, 22, 29; from Jan 9 to Feb 3

■ ROME

OPERA & OPERETTA
Teatro dell Opera di Roma
Tel: 39-6-481601
● Iris: by Mascagni. Conducted by Gianluigi Gelmetti, performed by the Opera di Roma. Soloists includa Nicolai Ghiaurov, Daniela Dessi (Jan 9, 11), Iano Tamar (Jan 13, 16, 19), José Cura and Roberto Servile; 8.30pm; Jan 9, 11, 13 (6pm), 18, 19
THEATRE
Teatro Eliseo Tel: 39-6-4880831
● Le Malade Imaginaire: by Molière. Directed by Jacques Lassalle and performed by the Teatro Stabile del Veneto Carlo Goldoni (in Italian). The cast includes Giulio Bosetti, Marina Bonfiglia and Antonio Salines; 9.45pm; from Jan 9 to Feb 4

■ SEATTLE

EXHIBITION
Seattla Art Museum
Tel: 1-206-625-8900
● Tha Gems of Brazil: Martin Johnson Heade's Hummingbirds: exhibition of a series of 16 amall paintings by the 19th century American painter Martin Johnson Heada, lent from the private Manooglan Collection; to Jan 14

■ STOCKHOLM

OPERA & OPERETTA
Kungliga Teatern - Royal Swedish Opera House Tel: 46-8-7914300
● La Traviata: by Vardi. Conducted by Kjell Ingebretsen and performed by the Royal Opera Stockholm and The Royal Opera Chorus. Soloists include Britt-Marie Ahrun and Stefan Tedahlberg; 7.30pm; Jan 8

■ STUTTGART

OPERA & OPERETTA
Staatstheater Stuttgart
Tel: 49-711-221795
● Fidelio: by Beethoven. Conducted by Robert Spano and performed by the Oper Stuttgart. Soloists include Evans, Walsh-Ebbecke, Probst, Krämer, Hölle and Nieuweling; 7.30pm; Jan 8, 11 (7pm)

■ WASHINGTON

OPERA & OPERETTA
Eisenhower Theater
Tel: 1-202-416-7818
● Verlobung im Traum: by Krása. Conducted by Israel Yinon and performed by the Washington Opera and the Nationaltheater Mannheim, Germany; 7.30pm; Jan 6, 8

■ ZURICH

OPERA & OPERETTA
Opernhaus Zürich
Tel: 41-1-2686666
● La Fille du Régiment: by Donizetti. Conducted by Marcello Panni and performed by the Oper Zürich; 7.30pm; Jan 11

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COMMENT & ANALYSIS

No pain, no gain

Didier Maillard forecasts difficulties for France unless structural reforms are tackled

Forecasting the outlook for the French economy this year is no easy matter, after the recent batch of adverse economic figures and the social upheaval of December's strikes against the government's public sector reforms.

Most forecasters hesitate between two scenarios. The more optimistic is that present developments will restrain growth this year, but not seriously – and that the economy will pick up speed in the following years. The more pessimistic is that the economy will grow at just 1 per cent in 1996, with several years of slow and disappointing growth to follow.

Already growth estimates for 1995 are being revised down, with 2.5 per cent now the likely maximum. Gross domestic product grew in both the second and third quarters by a paltry 0.2 per cent and the outlook for the fourth quarter is also poor after a drop in consumption and the strikes.

Last summer, the government and many private forecasters were predicting growth of 2.8 per cent for 1996. But the levelling out of activity since the first quarter of 1995 means that growth this year is unlikely to exceed 2 per cent.

Even achieving 2 per cent growth assumes that there is something of a rebound in the economy. Views differ on the likelihood of such a rebound.

Optimists point out that GDP is 2 per cent or 3 percentage points below its potential by most estimates, indicating that the cycle is likely to resume its upward trend. A temporary downturn is not unusual, especially at a time when faster growth on coming out of a recession is giving way to more sustainable rates of growth. During this transition, stocks and employment may need to adjust, increasing the magnitude of the slowdown.

A potential rebound would also be encouraged by the prospect of lower interest rates in Germany. And while fiscal policy will tighten to meet the Maastricht criteria for economic and monetary union, the optimists believe the high level of savings (about 14 per cent of income) has been in anticipation of such tightening and will fuel extra consumer spending and investment.

However, a gloomier picture can also be drawn from present conditions. In the short run, the only economic indicator not pointing downwards is investment prospects in manufacturing, forecast to rise 13 per cent in nominal terms this year. But indices of business confidence and households' expectations of the economy are near historical lows.

In addition, unemployment has grown in each of the past three months. This reflects the slowdown in economic activity since the first quarter of last year, but it may have been worsened by the tax hikes and minimum wage increase in last July's mini-budget and fears over further tax rises to come.

More generally, France's prospects may be threatened by the perception that it is doing too little to tackle the structural problems that are putting strains on its economy. Although common to much of Europe, they are in some ways more acute in France because the country has tended to postpone addressing them. This is particularly true of the tax burden which imposes high marginal rates, the cost of the social security system, and the size of the public sector.

Such problems are largely responsible for the growth in public spending, which has been a factor in the rapidly growing government deficit in recent years. If France does not address these issues in the near future, the country may not be able to meet the Maastricht criterion that the government deficit be no more than 3 per cent of GDP.

Failure to address them could also hamper restoring higher growth levels by reducing investment, raising precautionary savings and making employers reluctant to hire staff. Addressing the structural problems would improve France's long-term prospects, even if it creates short-term disruption to the economy.

France can be seen as in the midst of a transition between two economic systems. The old system was to a certain extent a command and control one. The new system is one in which countries must compete globally, more is left to the market and less to the government, and there is lower taxation and greater individual responsibility.

East European countries and Japan have been through similar transitions, and the results are likely to be significant costs in the form of output losses over several years. For France, the transition is complete for parts of the economy, such as private sector manufacturing, which have been exposed to international competition for some time – reflected in a solid trade surplus. The main difficulty the private sector faces is the tax and regulatory burden needed to maintain the other part of the economy, the country's large public sector.

The Maastricht day of judgment will come some time early in 1998, when the decision is made on which European countries have fulfilled the criteria for joining economic and monetary union. If France fails to meet the Maastricht targets, but has taken costly measures to control its public finances, it is more likely to be admitted to Emu than if it is cosmetically close to the targets but still has unresolved economic problems.

Strong growth would undoubtedly help in pushing through structural reforms, especially in providing alternative employment for those whose jobs are displaced. But strong growth cannot be counted on in the present circumstances, and must not be regarded as a necessary condition for reform.

The challenge for French policymakers is therefore to downplay the expectations of quick-fix solutions derived from the prospects of high growth. Instead, they must commit the country to the search for solutions which may appear more difficult but which are more effective and lasting in treating France's economic and social woes.

The author is chief economist, Banque Paribas

France

Economic outlook

	1993	1994	1995	1996
GDP	-1.5	2.9	2.5	1.25-1.50
Private consumption	0.2	1.5	2.0	1-1.50
Business fixed investment	-6.2	0.3	3.8	4.0
Inflation (consumer prices)	2.1	1.7	1.8	1.8
Current account (FFr bn)	52.4	44.7	100	80
			estimate	forecast

Source: Paribas

On the brink of bigger role

Shijuro Ogata suggests Japan's economy may have peaked as it becomes more international

Last year was a very difficult one for Japan. Already the fourth year of prolonged recession, it started with a too strong yen and depressed asset markets. But the situation was aggravated by the Kobe earthquake, terrorist attacks in Japanese cities, trade disputes with the US and the failure of several financial institutions.

Lately there have been some positive developments that suggest the Japanese economy is likely to return to growth this year. There has been some recovery in the stock market, corporate profits and investment following the 20 per cent depreciation of the Japanese yen from its peak last April – and September's belated but still welcome monetary and fiscal measures. After flat growth for three years in a row, it is possible to expect annual growth of more than 1 per cent, perhaps closer to 2 per cent, with a reduced external surplus and a negligible rate of inflation.

Yet it may not be easy to sustain even this meagre recovery. A number of problem areas call for close observation in 1996 and beyond.

First, economic policymakers have few instruments left at their disposal for further stimulating growth. Interest rates are at a record low, so there will be little room for manoeuvre on the monetary front. The growth in the budget deficit and the government's debt could tempt conservative fiscal officials to call for tax increases, which would damage consumer spending and business confidence.

Second, many industrialists seem to be continuing to shift their operations out of Japan – despite the recent weakening of the yen. Although it is a logical response to the still very high exchange rate and the delayed deregulation at home, it has an adverse impact on domestic employment and consumption.

So far, the reduction in employment has been achieved mainly through recruiting fewer graduates and encouraging early retirement. But unemployment will continue to rise unless new jobs are created by recovery, innovation and deregulation.

Third, the traditional approach of Japanese regulators and bankers to problem loans – waiting for the next business upswing with minimal writing-off – is no longer sufficient given the length of the recession. Comprehensive, publicly funded plans have already been discussed to rescue failing smaller banks and housing loan companies. But the seriousness of the bad debt problem means bankers will be distracted from funding new projects required for economic recovery.

Although Japan is the world's largest net creditor country, the difficulties of its banking sector have forced banks to pay a premium when borrowing abroad. It will take some time to restore its credit standing, which has been further undermined by the deviation from internationally established rules of conduct and transparency revealed in Daiwa Bank's $1.1bn bond trading loss in New York.

Fourth, the bureaucracy has yet to be reformed. Government ministries used to be so powerful and effective that many observers believed Japan would have no problem as long as they remained in control. Those days are over, however. The bureaucracy has long been paralysed by inter-ministerial rivalry and ties of patronage and obligation to industrial interest groups.

Furthermore, the bureaucrats are now demoralised by their policy mistakes and the revelation of scandals. Even the reorganisation of the Ministry of Finance – traditionally the supreme bureaucratic power – is now openly debated.

Fifth, Japan's political leaders are preoccupied by the Lower House elections due in the next 18 months. These will be held under a new electoral system which combines single-seat constituencies and proportional representation, making seats harder to win than in the old multi-seat districts. The politicians have neither the time nor ability to sort out the country's difficulties, especially bureaucratic rivalry and inflexibility.

After the postwar dominance of the Liberal Democratic party was broken in 1993, all political parties except the communists have become "conservatives". Except on a few issues, they all have similar policy stances, supporting the market economy and ties with the US.

Serious debate is likely to be postponed until after the election on important issues, such as relations with the US and Asian neighbours after the end of the cold war, Japan's role in the United Nations and administrative reform. Since most of the incumbents seem to be trying to postpone the election as long as possible, the period of indecision could be prolonged.

Sixth, there is little pressure for change from the general public, even though most Japanese seem to be dissatisfied with their political leaders. Their dissatisfaction with the status quo was demonstrated by the election of comedians as governors of the two largest cities last spring. The explosion of sentiment in the autumn against the US military bases in Okinawa also indicated unhappiness with the country's defence relationship with America. But most people still enjoy job security at work, and do not want to challenge their traditional conformism or join political activities.

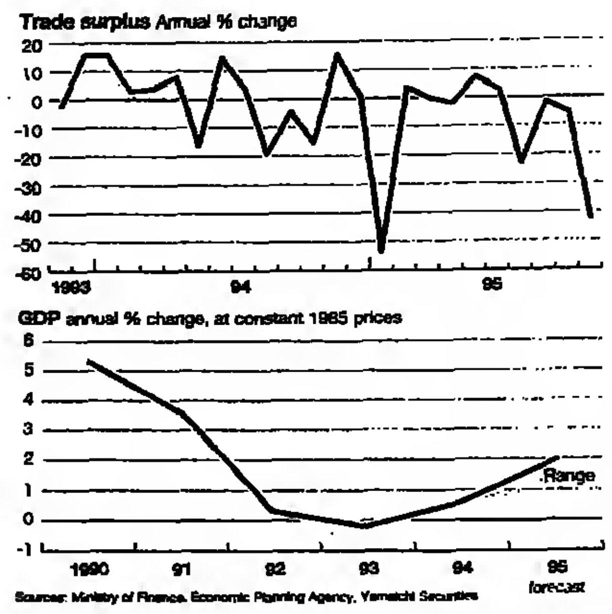
There is a common thread to these problems. Japan is becoming economically and politically mature. At the same time, its economy is becoming more international, partly through its own volition and partly through the globalisation of financial and industrial markets.

The country has moved a very long way from the 1960s, when Japan's growing economic strength first led to calls for the country to play a more active role in global affairs. At the time, the Japanese were not yet prepared to do so.

Ironically, Japan's maturing economy may have peaked just as it is reaching for that larger international role. A solid recovery and early Lower House elections may prevent the onset of Japanese economic decline. But it is not yet certain whether either the recovery or the election will materialise during 1996.

The author is senior adviser, Yamaichi Securities

Japan



Sources: Ministry of Finance, Economic Planning Agency, Yamaichi Securities

·LETTERS TO THE EDITOR·

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Russia playing political game and getting it right

From Mr Robert Devane.

Sir, President Boris Yeltsin's instructions to prime minister Victor Chernomyrdin to purge "saboteurs" from the economics and finance ministries ("Yeltsin orders purge of ministerial saboteurs", December 29), instead of being likened to Stalinism, should be applauded and praised for political brilliance. Yeltsin has seen the Duma poll results and weighed their relevance to the June 16 presidential vote. To secure a centrist-reformer victory in June, careful political manoeuvring is required. His tactics are brilliant, timely and pre-emptive. Yeltsin is disarming the opposition by publicly championing the causes that sent them to victory at the polls.

A clean and proper democratic election took place in Russia on December 17 as scheduled. This is a monumental occasion in Russian and world histories, and the best evidence of the tremendous irreversible leaps towards democracy taken by Russia as a society. The vote is hardly disastrous for Russia. The Communist party is expected to control 35.11 per cent, the Liberal Democratic party of Russia 11.33 per cent, Our Home Russia 12 per cent and Yabloko 10 per cent. Clearly, the new Duma will function on the basis of coalition building. No single party will have control. Reformers and centrists have a very strong opposition niche. The communists and the nationalists are far from being allies. Individually, they are too weak to pose a fatal threat to the reformer-centrist segment, and are unlikely to form a solid coalition.

Russia's new communists were elected on the wings of nostalgia. Their electoral base is ageing rapidly. They have grasped the importance of media and populism. And they are acutely aware that to stay in the political game in Russia they have to play the game. They are driven largely by economic considerations and the desire for power. Theirs is hardly an ideological battle. It is a utilitarian contest. Two types of information have been flowing from Russia's political parties: what they believe and what they believe the voters want to hear.

These must not be confused! The New Communists own property and wield personal power. They do not want to turn back the clock, they just want to own it. They will be ready and willing to co-operate with the centrists and the reformers on a broad range of issues as long as such co-operation maximises their utility.

The only important prize in Russian politics is the presidency. Anything that Yeltsin and Chernomyrdin do or say now to secure the presidency for another five years, including short term concessions and populist statements, pales in comparison with the progress that will be possible under the conditions of political stability and policy continuity.

The government is finally playing the game, and getting it right. Populist appeal will make or break a presidential hopeful.

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director,
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One-sided

From Ms Joia Shillingford.

Sir, Why no comments from women on the business challenges of 1996 and on helpful books? Could the author(s) of "Big ideas, big books" (January 2) not think of one top female in the English speaking world who reads business books?

Or was the article in Tuesday's FT merely a prelude to comments from seven wise women?

I think we should be told.

Joia Shillingford,
48 Cleveland Square,
London W2 6DB, UK

Crucial question on bank independence

From Mr John Crow.

Sir, Gerald Holtham's sally against central bank independence (Letters, December 21) in response to your report on the recent New Zealand experience ("Push and pull of NZ experience", December 19) glosses over the crucial question.

He observes that "One day they [New Zealand exporters] will rediscover the truth that all the instruments and policy should be co-ordinated in restraint of inflation...".

However, the issue to be faced is not whether they "should be" but whether they "will be". The body of empirical economic evidence on central bank independence shows that the *less* of it a country has, the more inflationary it is likely to be, and without any gain to economic performance.

It seems to me that an opponent of the idea of providing the central bank with a mandate grounded in price stability (which is what "central bank independence" comes down to) has either to deny the evidence or has to come up with yet another way of addressing the issue, if he is serious about restraining inflation.

Also, he suggests that such a mandate absolves the central bank of responsibility for real output – that is, for taking counter-cyclical actions. This is not so. In this regard, the purpose of the mandate would be to ensure that such actions when taken do not build in an inflationary bias, not that they not be taken at all.

John Crow,
(former governor of the Bank of Canada),
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Canada

Complacency can also be a threat to democracy

From Ms Karin Dubsky.

Sir, Philippa Rann's letter on democracy (January 2) states that there are powerful forces to undermine democracies from within. While an increasing gap between rich and poor may indeed be one reason, could public complacency be another?

It seems as though a lack of vigilance besets people, once its members believe a working system – eg, democracy – has been achieved. This would be the same whether it is a small group or a whole country.

Indeed, it is important that we test the limits of EU democracy too. If not, we may well lose many of the democratic intentions heralded in the Maastricht treaty. Take the recent Environment Minister Council of December 18 in Brussels. This was to be an "open council" on coastal zone management. In fact, the public was confined to earphones and viewing of a round of prepared ministerial statements on TV screens in a separate room. Once the actual debate started, the earphones were silenced.

Regarding Ms Rann's contention that no non-Protestant society has sustained democracy for 70 years, I suspect you will get a number of objections. To put in mine (despite being flattered by the idea of my religion being a pillar of democracy), the country I was brought up in and regard as home is Ireland, which by no stretch of the imagination could be called Protestant. It celebrates 74 years of democracy and from first hand experience that democracy is not showing any signs of senescence.

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Conflicts on the exchange

The premature departure of two successive chief executives from the London Stock Exchange in less than three years owes much to personality problems and more to the increasingly fraught internal politics of the exchange. But it is also symptomatic of more fundamental difficulties which make the position of the chief executive almost untenable. Indeed, the real question raised by the departure of Mr Michael Lawrence yesterday is whether it is possible to run what is now a competitive business within the constraints of the existing capital structure and governance set-up of the exchange.

Deregulation and rapid technological change have forced this very traditional institution to shift from thinking of itself as a trade association for member firms to catering for a broader group of market users. The changes before Big Bang in 1986, and the subsequent decision in 1991 to scrap the old deed of settlement and abolish the exchange's council, were part of the attempt to adopt modern commercial practice. The composition of the new board was also intended to be representative of wider interests.

Yet the modern form disguises plenty of ancient substance. The exchange's shareholders are representative of the practitioners' interests, and the practitioners retain a powerful voice on the exchange's board. In most other kinds of commercial organisation, such a capital structure, involving incomplete ownership discipline, together with inbuilt boardroom conflicts of interest, would be regarded as a warning signal about future business performance. When accompanied by signs of friction between the board and the executive, the alarm bells would be heard far and wide.

Structural fault

The structural fault which is common to all organised exchanges in today's environment concerns the sharing of costs and benefits. The survival of any exchange depends increasingly on expensive investment in large-scale technology. Yet the investment usually also brings about changes in dealing practice which transfer the benefit of the resulting efficiency gains from the practitioners who financed it to other market users. The practitioners are thus reluctant to update their technology, even in the face of increasing competition.

A related problem, which is particularly acute in settlements, is that investment in new systems requires some participants to subjugate their narrow short-term interests in the wider interest of the financial community.

Order matching

The London Stock Exchange board's reluctance, until recently, to sanction the introduction of an order matching system which many market users clearly wanted, was symptomatic of these problems. So, too, was the fudge that emerged at the end of November, whereby the board decided that its new computerised trading system would permit an order matching system, without indicating whether it would co-exist for the same shares with the present quote driven system.

Coming after the debacle which resulted in the exchange losing control of settlements to the Bank of England, the implication is inescapable. While the difficulties were no doubt exacerbated by a shift of power to the executive which took place under Mr Lawrence's tenure, the old conflicts of interest were almost impossible to resolve within the present constitutional framework.

In other countries, most notably France, government intervention provides a natural way of resolving such conflicts. In Britain the Bank of England, one of whose directors, Mr Ian Plenderleith, will now become a deputy chairman of the exchange, plays an honest broking role. But it has neither the formal power, nor the urge, to act like the French state.

An alternative means of addressing the problem is to allow the competitive discipline of the product market to confront the exchange with the harsh choice between constitutional reform and a declining market share. The difficulty with this last course, which the London Stock Exchange looks like adopting by default, is that lost ground becomes harder to win back as market share is lost. And, it must be said, new chief executives are hard to come by.

Saudi fears and faxes

Saudi Arabia is a state which likes to keep its internal affairs out of the international news. Considering its importance to the rest of the world, notably as the possessor of one quarter of the world's known oil reserves, it is on the whole remarkably successful in doing so.

This week, however, it has been in the headlines thanks to two apparently unrelated events, both of which prompt speculation about its future stability.

First, King Fahd, who has been in poor health for some months, officially handed over power to his half-brother and designated successor, Crown Prince Abdullah: ostensibly a temporary move, but expected by many observers to be permanent. Secondly, the British government, bowing to intense if discreet pressure from the Saudi authorities, informed Mohammed al-Massari, the best known Saudi exile, of its intention to remove him to the Caribbean island of Dominica on January 19.

The latter decision calls for comment quite apart from its Saudi context. By sending Mr al-Massari to Dominica, a "safe third country", Britain escapes the obligation to examine substantively his claim for refugee status. Hitherto this device has been used only to return asylum seekers to "safe countries" through which they had already passed, on the argument that they should have exercised their right to claim asylum at the first opportunity. That argument has never been very convincing, but the argument for sending Mr al-Massari to a part of the world he has never even visited is weaker still.

Rule of law

Moreover, the decision has serious implications for Britain's national interests. The fact that there has been strong pressure from the Saudi authorities, and in particular the fact that British businessmen have been told they risk being discriminated against so long as Mr al- Massari is allowed to continue his activities in the UK, should if anything have prompted the British government to treat him with conspicuous fairness.

The only sensible, as well as the only honourable, position for a democratic government when faced with this kind of pressure, is to say "we regret any offence caused, and we by no means endorse Mr X's opinions or ambitions, but order and prosperity in our country depend on the rule of law, and so long as he respects our laws we are obliged to respect his freedom". Once that position is abandoned, foreign governments are in effect invited to intefere with British legal procedures by threatening to harm Britain's commercial interests.

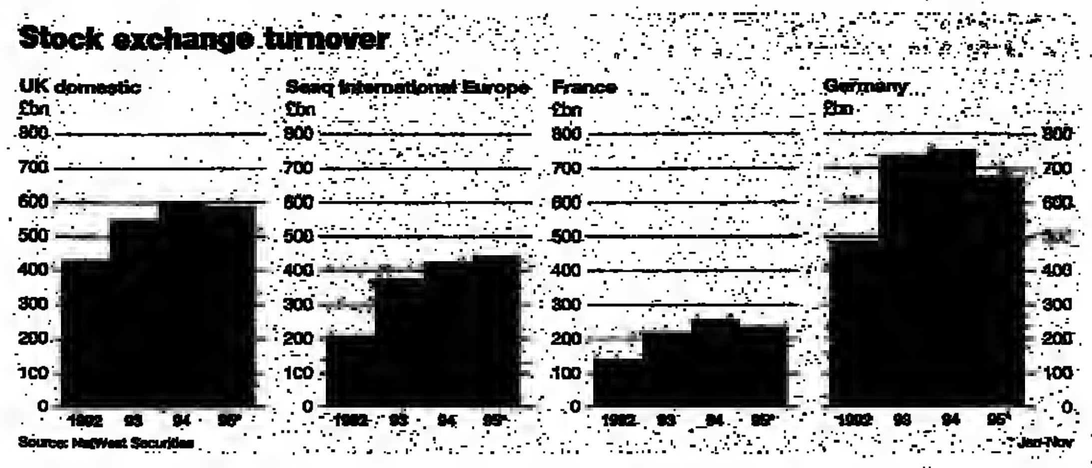
Doubly painful

What makes the situation doubly painful is that Mr al-Massari's activities, which consist essentially of subjecting the Saudi kingdom to a flow of scurrilous faxes, cannot in themselves pose any serious threat to its stability. The Saudi government's sensitivity to them betrays a troubling insecurity, related certainly to its suppression of even moderate voices calling from within the kingdom for a more representative form of government. Inevitably a period of budgetary constraint sharpens resentment among middle-class Saudis about the vast commissions on government contracts taken by members of the ruling elite, and about the wealth many members of the royal family derive from their appropriation of building and development land.

Crown Prince Abdullah, variously described as a "traditionalist" or even a "nationalist", is believed by some members of the opposition to be more sympathetic to this kind of grievance than his elder brother. If he is, that should not be seen as contrary to western interests, even if it leads him to keep western influences more firmly at arm's length than his brother has done. He would be right to recognise that conspicuous self-indulgence and lack of accountability on the part of his own family and its associates pose a greater threat to the kingdom's stability – which is a matter of real concern to the west as well as to Saudis themselves – than any number of faxes emanating from London. Anyway, he may soon discover that there are fax machines even in Dominica.

Tamer required for lion's den

The embattled London Stock Exchange will find it hard to recruit a new chief after the dismissal of Michael Lawrence, says **John Gapper**



The abrupt dismissal yesterday of Mr Michaal Lawrence, chief execntive of the London Stock Exchange, only three years after the resignation of Mr Peter Rawlins, his predecessor, raises the question of whether it remains a governable institution. Or is it so beset by troubles, and by divisions among members with vested interests, that it is now untameable?

Mr John Kemp-Welch, the urbane chairman of the exchange, did not accept that view yesterday. But even Mr Kemp-Welch acknowledged that the task of leading an organisation with more than 350 members that faces unprecedented challenges would test the most able. "It is not an easy job to win the confidence of all our members," be said.

In an attempt to limit as far as possible the crisis into which the exchange has yet again bean plunged, Mr Kemp-Welch pinned the blame squarely on Mr Lawrence's personality. The implication was that Mr Lawrence's failure to gain support from the exchange's members was a matter of their disliking him, rather than disagreeing with his policies.

Mr Lawrence has certainly been unafraid to ruffle feathers at the exchange, privately believing that he had to face down vested interests rather than seek consensus. He has also raised eyebrows by such moves as his libel action against Mr David Jones, head of Sharelink, an electronic discount brokerage which is a member.

But an alternative motive for the summary dismissal of Mr Lawrence could be the irritation of the exchange's most powerful members, the large marketmakers, over the board's recent decision to accept a new method of trading shares in London later this year.

At the root of many of the tensions at the exchange lies a seemingly Inexorable shift in power away from the marketmakers, who are the backbone of the exchange's quote-driven trading system. In their former incarnation as sharejobbers before the Big Bang deregulation of the City, they formed the heart of the exchange's floor.

But as an increasing proportion of investment is carried out by institutions rather than individuals, power has moved towards these funds. They have come to question the system under which marketmakers post bny and sell prices for shares on the Seaq bulletin board. Investors increasingly argue for a choice of share trading methods.

Already the exchange has seen some erosion of its monopoly position, with the launch of Tradepoint, a bulletin board on which investors as well as brokers can quote prices at which they will buy and sell shares. Mr Lawrence has been agitating for the exchange to respond to such challenges by reforming rather than allowing trade to slip away.

When be was appointed two years ago, Mr Lawrence foresaw the potential for internal conflict and tried to ensure his success by increasing the power of the executive. Instead of the executive simply carrying out the orders of members, he wanted an executive member to chair each policy committee. This would help to prevent internal obstructions to change.

Mr Lawrence's supporters say his dismissal is a symptom of marketmakers responding to a reduction of their power. "They love the old system and thay want nothing to threaten it. If they are allowed to win, it will throttle change," says one. Mr Lawrence had emphasised that he regarded victory in his push for choice in ahare trading as the key issue.

The argument of his backers is that it is not possible to achieve a consensus between opposing forces. In the end, the question is whether the exchange's board is prepared to back an effort by its executive to find the best strategy for the market as a whole. Otherwise, there is no point in having a chief executive – or executive directors – at all.

Yet some larger members of the exchange are frustrated at what they see as Mr Lawrence's forging of policy without any reference to tha 350 members to whom ha reported. For them, the chief executive's role is not analogous to that in a public company. Instead, the shareholders should be consulted at regular intervals, and should determine strategy.

Mr Kemp-Welch yesterday said that the job required several qualities, including an ability to "formulate and drive through change". But he added that it was "absolutely fundamental" that there was "a confidence forged with our membership". In other words, a chief executive must both implement change, and get agreement on it.

It is debatable whether such a combination of qualities is possible in a human being, given the tensions that are now breaking out in the exchange. It is also unclear whether any chief executive who does more than agree with the policy favoured by the market-makers can survive. Mr Kemp-Welch yesterday insisted that such a feat was possible.

In practice, the question may not be put to the test, because the most important decisions about the operation of the exchange's new trading system – Sequence VI – are likely to be mada before the next incumbent arrives. The steering committee to considar the issue was appointed yesterday, and a lengthy consultation process is likely to start next week.

Mr Kemp-Welch insisted that Mr Lawrence's departure signalled no change of policy. However, the policy on Sequence is not yet formed. The board has agreed in principle that an order-matching system similar to Tradepoint will be a feature of Sequence. Bnt it is not yet decided whether it will apply to trading in the shares of the largest companies.

The marketmakers who sit on the steering committee have an opportunity to tone down the implementation of order-matching within Sequence. However, if they do so they could find it a difficult task to recruit a chief executive with the qualities Mr Kemp-Welch wants. To lose two chief executives is careless; to fail to attract a third could be disastrous.

Back on the outside

Norma Cohen on the man who was proud of making people feel uncomfortable

With his chalk-stripe suits, thick glasses and stick-pin tie clips, Mr Michael Lawrence, the Wembley County Grammar School student who trained as a physicist, was an unlikely candidate for the post of chief executive of the London Stock Exchange.

"Not one of us", was the verdict following his first appearance at a conference of leading City stockbrokers – a view that Mr Lawrence, despite his best efforts, never dispelled.

Privately Mr Lawrence is said to have revelled in his image as the outsider, partly because he believed the City gentlemen who once formed the exchange's core membership had become something of an anachronism. Being an outsider would help him prod the exchange to make the adaptations necessary to ensure its survival. "I made people uncomfortable," Mr Lawrence says. "That is the essence of promoting change."

Yesterday City officials said it was Mr Lawrence's management and personal style, not cultural differencas, that caused the exchange's board to lose confidence in him.

"The point about Mike was that he had fallen ont with just about every institution he had to deal with," said a director of one of the City's big marketmakers. "The Treasury, the Bank of England, the regulators, the marketmakers, the private client stockbrokers."

Central to his management style was his view that the exchange must be run as a commercial organisation, with an executive responsible for setting strategy and carrying it out. The board was there simply to advise the executive and approve its decisions. That occasionally meant the executive would have to challenge competing commercial interests represented on its board.

"The issue here is about governance," says one head of marketmaking, "the relative power of the board and the executive, and the role that each plays."

One example of the difficulties that arose was his proposal to introdnce an order-driven trading system for shares alongside tha existing quote-driven system for the 350 most liquid shares. The board failed to back his plan – the marketmakers who dominate it vociferously opposed any alternative to the share-dealing system they operate.

But Mr Lawrence persisted with his plans in modified fashion, balieving the exchange had little future unless it could offer investors choice in the way they deal in shares – a view backed by most institutional investors.

His opponents saw this as evidence of concentration of decision-making in the executive, while the exchange's board and its practitioner committees felt increasingly ignored – a view that led to Mr Lawrence's undoing.

Mr Lawrence formed his views on governance whila working at Price Waterhouse, the accountants, as a consultant to ailing companies.

After a spell as finance director of Prudential, the UK life insurer, he had arrived at the exchange at what was probably the nadir in its reputation and fortunes. His predecessor, Mr Peter Rawlins, had resigned the previous year, following the collapse of the exchange's Taurus system for paperless share trading, leaving both the exchange and its member firms out of pocket for hundreds of millions of pounds.

Among Mr Lawrence's primary tasks was to draw up a blneprint for the exchange and help it define a role for itself in the brave new world of share trading. With Mr Lawrence's departure, the exchange is once again in the position of seeking a chief executive and, if anything, more deeply divided over its future than ever.

Tony Andrews

Back to the wall: Michael Lawrence was ousted because of his management and personal style, say City officials.

· OBSERVER ·

Tale of two egos

■ As Nato's mission to ex-Yugoslavia overcomes its first real crisis – with the Serbs releasing 16 Bosnians – two of the midwives of last November'a peace deal In Dayton, Ohio, last November appear to be bowing out of the diplomatic stage.

Both have formidable brains, formidable tempers, and a formidable reputation for refusing to tolerate fools gladly. Dick Holbrooke, master-of-ceremonies at the Wright-Patterson air base, has already announced his imminent return to Wall Street, and life in the bosom of his New York-based family – though nobody will be surprised if he eventually returns to Washington as secretary of state.

Now it emerges that a change of career is being contemplated by Ms Pauline Neville-Jones, who as political director of the UK Foreign Office was Britain's woman in Dayton – where her relations with Holbrooke were distinctly strained. As Observer reported last month, she seemed disappointed when her masters declined to appoint her ambassador to France – a country where she owns a house, and whose culture she keenly admires. And there are not many jobs of similar rank to be offered as consolation prizes: the embassies in Bonn, Washington, Brussels, Moscow and Tokyo are all comfortably filled.

So if Dick Holbrooke does finally return to the highest ranks of US government, it seems unlikely that Ms Neville-Jones will be occupying Britain's outpost on Massachusetts Avenue. Perhaps it is just as well.

Promise to pay

■ Tired of politics and all those electoral promises which never materialise?

Do not despair. A court in Poland has ruled that former president Lech Walesa should compensate a disappointed voter because he failed to fulfil an election promise.

The case dates from five years ago, when Walesa was urging mass privatisation of state industries and promised every Pole 10,000 zlotys worth of coupons to buy state assets. Jozef Gaweda, a 60-year-old electrician, waited and waited, and when he did not get his coupons he decided to take his president to court.

A court in the northern city of Gdansk where Walesa lives has now ordered that he pay Gaweda 1,000 zlotys ($400) in compensation because he did not deliver on the pledge.

Walesa's legal advisers, who say the court decision is all part of a campaign to discredit the former president, plan to appeal the decision and will no doubt get it overturned.

Nevertheless, one can't help wondering if the world wouldn't be a better place if voters in other countries took to following Jozef'a example.

Close call

■ Anglo-German relations have taken another turn for the worse. The flourishing sex industry in Minden in North Rhine-Westphalia has been suffering a severe case of droop since the withdrawal of 3,500 British troops just over a year ago.

The German news magazine Focus spoke to one Wolfgang Buddenbohm, owner of Intim-Shop. In the good old days, soldiers queued up to use his coin-operated video kiosks, but now Buddenbohm reckons he is on the verge of bankruptcy. He places the blame squarely on the British.

It's not looking rosy at SG-Club on the banks of the Weser either. Ralf Brackmann fondly remembers how the Brits always paid in cash – some even depositing their entire wage packet with the club.

Back in Poland, by contrast, you obviously get not just a smarter voter but also a savvier type involved in the sex business. Warsaw's escort agencies have been adapting admirably to their own changed circumstances – by deciding to accept privatisation vouchers.

The vouchers, which Poles can purchase for 20 zlotys ($8), are currently worth a tidy 55 zlotys ($22) on the secondary market. Consequently, the call girls, sensitive to the investment returns available, have marked their own services down so that one voucher buys 30, rather than 15 minutes, of their time.

Pulling the plug

■ Sad to see that the controversial US stock commentator, Dan Dorfman, has been sacked by Money magazine.

It is not so much that he did not deserve it. Dorfman, whose alleged links to a stock promoter are being investigated, had refused point-blank to identify any of his sources to his own editor. This is perhaps taking the principle of confidentiality a little far.

The snag is rather that Dorfman's other employer, the cable TV channel CNBC, is standing by him.

Whereas Dorfman's writing style is unremarkable, his daily TV broadcast is distinguished by a noisy, yapping style which gets on the nerves.

One would not wish to see the poor fellow unemployed. How about a deal whereby Money magazine takes him back, and he gets pulled off the air?

Taste police

■ Why do communists hate Earl Grey? Because all proper tea is theft.

The Financial Times

100 years ago

A lively place to live in
The Argentine province of Corrientes is a lively place to live in, from all accounts. The ups and downs of life are exemplified by the assertion of a resident that you can see in one of its towns an ex-Deputy waiting at table in an hotel, an ex-colonel as an assistant hairdresser, and an ex-judge serving drinks in a low shebeen. Everybody appears to be mightily hard-up. The only folks who have a good time are the robbers, who, as a specimen of their skill, a few weeks back stole a hundred and twenty mares from one farmer and drove them off to Paraguay.

50 years ago

Warning to Canadian brokers
Montreal: Inaugurating a campaign to clean up security dealings at Toronto and Ontario, the Securities Commission has summoned twenty brokerage houses, which mostly deal in Gold-mine stocks, "to ehow cause why their registrations should not be cancelled." Meantime, the Commission is concentrating on the practice of brokers issuing fraudulent circulars, and doing illegal telephoning in connection with the sale of securities, and the chairman has promised drastic action.

مكبرا من الاصل

FINANCIAL TIMES
Friday January 5 1996

Fellow US Republicans attack majority leader's plan to end crisis

Dole accused on budget impasse

By Jurek Martin in Washington

Conservative Republicans are using Senator Bob Dole's determination to end the three-week US government shutdown as a lever to prise loose the majority leader's grip on the Republican party's presidential nomination.

One leading House hardliner, Congressman Tom DeLay, the majority whip, accused Mr Dole of "caving in" with his motion on Tuesday to reopen the government. Senator James Inhofe, a rightwing freshman from Oklahoma, said Mr Dole had not even consulted party colleagues before introducing his motion.

The budget impasse looked likely to continue yesterday with the cancellation, at the request of Republican leaders, of a planned afternoon negotiating session in the White House. But an administration official said this did not mean that the talks had irrevocably broken down and they could be resumed today.

However, the hardline House of Representatives, which on Wednesday refused even to consider the temporary back-to-work motion unanimously passed by the Senate, was considering voting itself into recess until January 23. Although it could be recalled quickly in the event of progress on the budget, such a move would be taken as a further display of conservative displeasure with both President Bill Clinton and Mr Dole.

Mr Dole denied in the Washington Post yesterday that he was departing from the conservative faith, which holds that there can be no return to work by 280,000 federal employees until a satisfactory agreement to balance the budget in seven years is reached.

"I come from Kansas where we believe people ought to work if they're paid," he said. "There are not many rich people working for the federal government, they have mortgages to pay, vacations to plan."

An opinion poll yesterday showed rising public approval of Mr Dole's attempt to forge a balanced budget compromise with the administration. It also continued to place more blame on Congress than Mr Clinton for the protracted impasse.

The CBS News poll endorsed Mr Dole's stance, with his approval rating rising to 63 per cent, up 11 points in a month, and his deficit behind Mr Clinton in the presidential race narrowing to 48-42 per cent, against 52-38 per cent last month. By contrast, Mr Newt Gingrich, the Speaker, still the leading symbol for conservatives, was languishing at 33 per cent.

None of Mr Dole's challengers for the Republican nomination scored in double figures in the poll, against his 45 per cent, which perhaps explains why they are using his preference for accommodation against him in a last ditch attempt to derail his bandwagon.

Campaigning in New Hampshire, Senator Phil Gramm of Texas charged that Mr Dole was giving Mr Clinton "a new credit card" by not forcing him to agree to a balanced budget. Mr Gramm earlier commented that the partial government shutdown, now three weeks old, was having such little broad effect that it proved that at least 200,000 federal jobs were clearly dispensable.

Mr Dole's response was typically tart. If Mr Gramm was that upset, he said, he should "come back here and participate" in the search for a solution.

Tokyo surge

Continued from Page 1

dent enthusiasm for the US currency.

The dollar's strength, allied to hopes of interest rate cuts in Europe, has lifted shares across the globe this week. Ten national bourses reached intra-day or closing all-time highs on Wednesday. Yesterday's gains were rather more subdued but nevertheless markets in Amsterdam, Cyprus, Dublin, Frankfurt, London, Madrid, Oslo and Zurich all recorded highs at one point.

In London, the FT-SE 100 index rose 7.4 to a new intra-day high of 3,722 but fell back in the afternoon to close 1.5 lower at 3,714.1. Tokyo, which had been closed for trading on Tuesday and Wednesday, caught up with the rest of the world in style. The Nikkei 225 rose 749.85 to 20,618, its highest closing level since September 1994, in only a half-day session.

Chief sacked

Continued from Page 1

push for an alternative to the current quote-driven trading system that relies on firms of marketmakers posting offers to buy and sell shares on the Seaq electronic bulletin board.

The exchange's board yesterday announced the membership of a committee to decide on implementation of the reform, which was agreed in November.

It will decide which shares will be traded using an alternative "order-driven" system.

The committee will include representatives from the marketmaking firms of Merrill Lynch, Union Bank of Switzerland and NatWest Markets.

Two leading marketmaking firms are understood to have approached the board before Christmas and offered to drop their opposition to the introduction of alternative dealing mechanisms in exchange for Mr Lawrence's departure.

Swedish pop industry on song as the money rolls in

Bands of nineties build on Abba's record of success

By Hugh Carnegy in Stockholm

Twenty years after Abba became one of the world's best-selling pop groups, Swedish bands are again earning Money, Money, Money.

The huge numbers of records they shift worldwide are out of all proportion to the small size of the country. But despite the record of success achieved by Swedish groups, organisations such as the Federation of Swedish Industries which track the country's traditional export sectors scarcely recognise the pop industry and certainly do not collate figures on its size and significance.

Some figures speak for themselves, however. The Gothenburg-based Ace of Base – like Abba, made up of two men and two women – is in the Guinness Book of Records for producing the biggest selling debut album ever.

Called *Happy Nation* in most markets, it has sold more than 19m copies worldwide, according to the group's label, Mega Records. It is the most notable of a number of groups who have emerged in the last few years to take up Abba's mantle.

The myth was that Abba earned more for the country than Volvo. As Volvo today has annual turnover – the vast majority outside Sweden – of more than $20bn and profits of $2.3bn, even Ace of Base would be stretched to come close to it in earnings.

Mr Gunnar Petri of Stim, the organisation which monitors Swedish songwriters' earnings, is waiting for the results of research into pop industry earnings. In the meantime, he estimates the annual export value of the industry at around SKr1bn ($150m)

He knows that Swedish songwriters earned SKr63.5m in 1994 in authors' performance fees outside Sweden. To that must be added record royalties, publishers' income, record producers' income, live performance earnings and other incomes. To date, no one has collated these.

What is certain is that Sweden has a pop earnings surplus. Fees paid to foreign songwriters for performances in Sweden in 1994 were SKr67m – some SKr15m less than the sum earned abroad by Swedish songwriters.

"It is astonishing that a country of only 8.5m people should be able to produce a positive balance of payments in authors' rights," says Mr Petri. "Sweden is unique in that respect."

Ace of Base's catchy pop-reggae songs are derided by critics but have stormed to the top of the charts all over the world. *Happy Nation* was number one in the US. Three singles from the album, "The Sign", "All That She Wants" and "Don't Turn Around", reached numbers one, two and four respectively in the US. The new Ace of Base album, called *The Bridge*, has by comparison got off to a slow start – but it has sold 3m records in the space of a few weeks.

In the past few years, a number of Swedish groups have made big international breakthroughs. Roxette is a man-woman rock duo whose last album, *Joyride*, has sold more than 10m copies.

Alban, a 37-year-old immigrant from Nigeria, former dentist and disc jockey, has sold 7m records of his dance-rap music in recent years.

Other names familiar to pop fans include Europe and its singer Joey Tempest (best known for the hit single "Final Countdown"), Army of Lovers, Stakka Bo, the Rednecks, Inner Circle and, more recently, the rock bands Clawfinger and the Cardigans. A hot tip for 1996 is a rock group called the Wannadies from the northern city of Skelleftea.

Sweden's success appears to have been built on a strong local musical tradition, blended with rich immigrant influences and an unusual openness to English-language culture. All the Swedish international success stories – from Abba to Ace of Base – have written original songs in fluent English.

"What marks Sweden out since Abba is there is a very healthy local music market – and much of that is in English. That is very interesting and very unusual," says Ms Harriet Brand, head of talent and artist relations at MTV Europe. "In France and Germany, for example, there is a very vibrant market place in local music in the local language, but when you try to translate it, it loses a lot."

Mr Sanji Tandan, head of Warner Music in Sweden, says: "Swedish kids are brought up on English and American programmes, few of which are dubbed into Swedish. They understand the [English] language very well and can use it more easily than other Europeans."

But how long can Sweden go on producing world-ranking hits? Mr Ola Hakansson, head of the Stockholm Label Group, a Polygram joint venture, believes the industry has become self-sustaining.

"Just as the success of Björn Borg at tennis inspired a series of Swedish tennis stars, so Abba did the same for the music industry. Bands like Ace of Base and Roxette continue it. I think in 1996 and 1997 we will see more."

THE LEX COLUMN

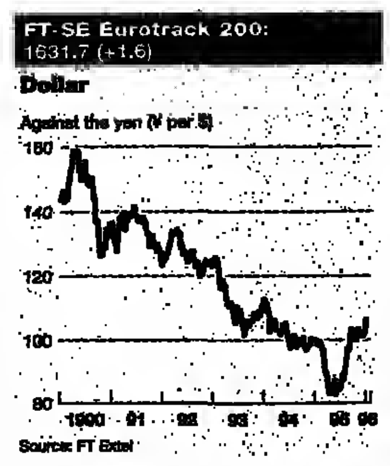
Bucking the trend

So far, the dollar's rally – to its highest level against the yen in almost two years – has been driven by yen weakness. This is because Japan's large current account and trade surpluses with the US, the traditional reason for the yen's appreciation, are starting to shrink. Furthermore, the Japanese authorities have been pumping liquidity into the system, in an effort to bring the ailing economy back to life and recapitalise the banking system. Some of this liquidity is being invested overseas, further undermining the yen.

The next question is whether there is a good case for a stronger dollar as well as for a weaker yen. Traditionally the dollar has been undermined by the large US budget deficit. There may still be no definitive deficit reduction agreement between the White House and Congress, but dollar bulls have rightly been encouraged by the fact that the deficit at least looks likely to fall rather than to rise.

Cynics point out, however, that the dollar has a history of starting the year on a bullish note only to fall flat on its face later. The fact that a budget agreement is not yet in place provides at least one potential banana skin. The dollar's rally to date can be viewed as a necessary correction: the dollar is on a long-term downward trend, but had overshot. At some point, though, the market may get the jitters. Last night's see-sawing may reflect this. If the rally continues, taking the dollar to, say, around Y115, the recovery would look less like a correction and more like a reversal of the downward trend. At best, sentiment is then likely to turn more neutral.

FT-SE Eurotrack 200:
1631.7 (+1.6)



Source: FT Extel

German television

A crack appeared in the closed world of German television yesterday, with Rewe, Germany's biggest food retailer, acquiring 40 per cent of Pro-7, the country's fastest growing cable channel. To date, Germany's TV industry – apart from the public channels – has been dominated by two conglomerates: Bertelsmann, which owns a stake in RTL, the biggest of the three private commercial television channels; and Kirch, the private group built up by media mogul Mr Leo Kirch, which controls Sat-1 and Pro-7, the other two networks.

That may be about to change. Rewe, which owns 30 per cent of UK supermarket group Budgens, is keen to diversify into media which it sees as a growth area. Its strong cash flow will come in handy to finance new investments at Pro-7, such as the home shopping channel it launched in Bavaria. Rewe could eventually market its products through that venture and its move may encourage other retailers and mail order groups to follow suit.

For the Kirch group, however, Rewe is more than just a financially strong partner. Given its dominance of cable television, programming and distribution Kirch has attracted the unwelcome attention of Germany's regulators. By selling 40 per cent of Pro-7 to Rewe and floating another 35.5 per cent later this year, it will certainly remove itself from the limelight. Pro-7 is showing healthy profits and continues to win market share. With the additional bonus of a keen seller, it could prove an attractive opportunity.

Thorn EMI

Thorn EMI's shares have risen 54 per cent since the start of 1995, as its demerger proposals have gripped investors' imagination. Its shares are trading on a prospective price/earnings ratio of 22, which is racy even under its new classification as a media stock. Nonetheless, investors would be unwise to take their profits yet.

Once the demerger is completed, Thorn will comprise two independent units offering above average growth prospects. The much maligned rental business is a substantial cash generator, but funds are being reinvested. Thorn is building a global rent-to-own business, and is broadening both its product range and its customer base. It should merit at least an average market p/e rating. Meanwhile, EMI Music deserves a similar multiple of operating profit to Europe's other listed music company, PolyGram. This would suggest a fundamental valuation not far from the current share price of £15.88.

Yet there is every reason to expect a premium. EMI is more attractive than Philips' record arm, PolyGram. It has a much stronger music publishing business, *and more importantly*, it will not have a 75 per cent single shareholder. Therefore EMI will inevitably command a higher rating to reflect the likelihood of predators from across the Atlantic, such as Disney or Viacom. It is not inconceivable that interested parties will make their presence known by buying an initial stake in Thorn EMI. Either way, Thorn's shares should have further to go.

London Stock Exchange

To lose two chief executives in three years looks worse than careless. By deciding to sack Mr Michael Lawrence, the Stock Exchange has demonstrated that its members, not its employees, call the tune. But in doing so it has opened up two huge cans of worms.

The first surrounds the Exchange's recent decision to adopt an "order-matching" trading system, which will cut the cost of buying and selling shares. Mr Lawrence rightly advocated the new system, and got his way in the teeth of fierce opposition from London's biggest marketmakers. However, it has not been decided which shares will be traded on the new system. Although the big marketmakers seem not to have been alone in their desire to oust Mr Lawrence, it seems equally clear that with him gone they stand a bigger chance of getting their way.

The second is the chief executive's role. The exchange is likely to find the post extraordinarily difficult to fill. For a start, it is clearly a high-risk job. The more fundamental problem, though, is that the exchange's structure is riddled with contradictions. Its commercial interests conflict with its regulatory functions. And it has to reconcile the wishes of a large group of members, some with entirely contradictory commercial interests.

There seems little doubt that Mr Lawrence could have handled the membership better. But until the exchange can produce a decision-making structure which commands the confidence of all its members, any chief executive is likely to end up in an impossible position.

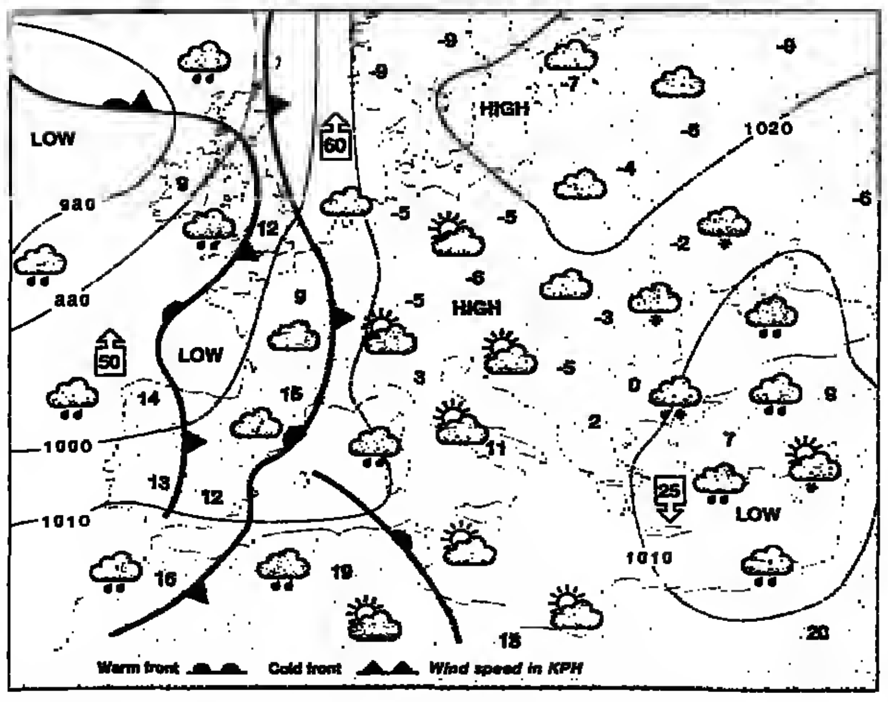
FT WEATHER GUIDE

Europe today

Most of southern Scandinavia will be settled with a mixture of sun and cloud but the extreme south will be cloudy. Tha south-west coast of Norway and tha east coast of England will have near gale force winds. The UK will remain cloudy and rainy. Rain will also occur in western France, Spain and Portugal. A surge of mild air will spread over the UK and into northern France, giving maximum temperatures of about 9C. The Benelux will turn milder but afternoon temperatures in tha north will be slightly below freezing. Eastern Europe will be cold with limited sun. Greece and Turkey will remain rather cloudy with outbreaks of rain or showers. Snow showers will continue in Romania.

Five-day forecast

During the weekend, cloud and rain will affect parts of Spain, Italy, France, the UK and the Benelux. Milder air will spread towards the north-west. A thaw will occur in the Benelux, western Germany *and countries around* the Alps. Eastern Europe will remain cold. Humid air will be directed towards these regions and low cloud will prevail but it will stay mainly dry. Greeca and Turkey will becoma unsettled again after the weekend.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

Maximum Celsius

Abu Dhabi	sun	28
Accra	cloudy	33
Algiers	shower	21
Amsterdam	cloudy	2
Athens	shower	9
Atlanta	cloudy	12
B. Aires	sun	26
B.ham	rain	10
Bangkok	sun	29
Barcelona	cloudy	14
Beijing	sun	3
Belfast	rain	8
Belgrade	sleet	-2
Berlin	fair	-4
Bermuda	cloudy	20
Bogota	fair	20
Bombay	fair	30
Brussels	cloudy	4
Budapest	cloudy	-5
C.hagen	cloudy	-3
Cairo	cloudy	17
Cape Town	sun	29
Caracas	fair	30
Cardiff	rain	9
Casablanca	rain	19
Chicago	fair	-7
Cologne	fair	2
Dakar	fair	29
Dallas	fair	17
Delhi	hazy	22
Dubai	fair	27
Dublin	rain	8
Dubrovnik	fair	6
Edinburgh	rain	8
Faro	rain	17
Frankfurt	fair	-3
Geneva	fair	6
Gibraltar	rain	17
Glasgow	rain	8
Hamburg	fair	-3
Helsinki	cloudy	-5
Hong Kong	cloudy	21
Honolulu	sun	28
Istanbul	shower	5
Jakarta	shower	29
Jersey	rain	9
Karachi	sun	27
Kuwait	fair	20
L. Angeles	sun	20
Las Palmas	cloudy	23
Lima	fair	27
Lisbon	rain	17
London	rain	10
Lux.bourg	cloudy	1
Lyon	cloudy	8
Madeira	cloudy	21
Madrid	rain	13
Majorca	cloudy	17
Malta	sun	16
Manchester	drzzl	10
Manila	cloudy	30
Melbourne	shower	24
Mexico City	fair	23
Miami	fair	24
Milan	drzzl	2
Montreal	cloudy	-19
Moscow	cloudy	-10
Munich	fair	-4
Nairobi	fair	27
Naples	fair	11
Nassau	cloudy	24
New York	fair	-4
Nice	rain	12
Nicosia	shower	11
Oslo	fair	-10
Paris	cloudy	9
Perth	fair	27
Prague	cloudy	-6
Rangoon	sun	31
Reykjavik	cloudy	4
Rio	shower	28
Rome	cloudy	11
S. Frsco	fair	14
Seoul	fair	6
Singapore	cloudy	29
Stockholm	sun	-8
Strasbourg	fair	1
Sydney	shower	24
Tangier	rain	17
Tel Aviv	rain	18
Tokyo	fair	11
Toronto	cloudy	-11
Vancouver	cloudy	5
Venice	cloudy	4
Vienna	cloudy	-6
Warsaw	snow	-5
Washington	fair	2
Wellington	cloudy	21
Winnipeg	sun	-22
Zurich	fair	0